PHARMESIS

PHARMESIS INTERNATIONAL LTD.





BUILDING
SUSTAINABLE VALUE







Annual Report 2015

CONTENTS

CORPORATE **PROFILE**



LISTED ON THE MAIN BOARD OF THE SINGAPORE EXCHANGE IN OCTOBER 2004, PHARMESIS INTERNATIONAL LTD. SPECIALISES IN THE MANUFACTURE OF PHARMACEUTICAL PRODUCTS, INCLUDING WESTERN MEDICINE AND TRADITIONAL CHINESE MEDICINE ("TCM").

Under our two subsidiaries, Chengdu Kinna Pharmaceutical Co., Ltd and Sichuan Longlife Pharmaceutical Co., Ltd, we specialise in the manufacturing of pharmaceutical products in the form of tablets, granules, pills, etc, including TCM formulated products for the treatment of illnesses relating to the liver and gall bladder. Additionally, our business also includes the research and development, production, sale and marketing of pharmaceutical products.

Our pharmaceutical products are sold in the People's Republic of China ("PRC") under the "国嘉" and "古蔺肝苏" brands. Our main products are ATT, Gulin Gansu and Er Ding granules. Our Gulin Gansu is under the National TCM Protection List and is also the first TCM formulated products to be awarded the "Product of Designation of Origin and Geographical Indications of the PRC".

Leveraging our strong research and development capabilities and in-house expertise in pharmaceutical products for the treatment of illnesses relating to the liver and gall bladder, we successfully improved the coating technology of ATT tablets and had received several awards in recognition of this achievement.

In 2009, we acquired a new wholly-owned subsidiary, Chengdu Pharmesis Pharmaceutical Co., Ltd. With this acquisition, the Group has successfully expanded into the distribution of pharmaceutical products.

Comprising an established extensive sales and marketing network across the PRC, our products can be found in 2,000 hospitals in many cities within the PRC. As well-recognised brand names of pharmaceutical products in PRC, Pharmesis' line of products under the "国嘉" and "古蔺肝苏" brands have received wide acceptance and numerous awards associated with delivering quality and safe products. By adopting an integrated business model, we aim to provide a one-stop solution to our customers in the PRC, with our research and development, manufacturing and distribution services.

OUR PRODUCTS

Pharmesis International Ltd., is a pharmaceutical company in the PRC which can trace its origins back to 1996.

Our pharmaceutical products include prescribed drugs and over-the-counter (OTC) drugs.

Pharmaceutical products include western medicine products under the "国嘉" brand and TCM formulated products under the "古蔺肝苏" brand.

Our two GMP-compliant production facilities, with a total land area of approximately 41,000 sqm, are located in Chengdu and Gulin, PRC. We emphasize strict quality control procedures for our products at every stage of our production process, from the selection of raw materials up to finished products.

ATT (ANETHOLE TRITHIONE)
茴三硫

Usage:
Treatment of illness relating to the liver and gall bladder
Form:
Tablets and Capsules

功能主治:
用于胆囊炎、胆结石以及急、慢性肝炎的辅助治疗。
类型: 片剂、胶囊

GANSU
古蔺肝苏

Usage:
Treatment of acute and chronic hepatitis
Form:
Granules, Tablets and Capsules

功能主治:
用于慢性活动性肝炎、乙型肝炎，也可用于急性病毒性肝炎。
类型: 颗粒、片剂、胶囊

ER DING
二丁

Usage:
Treatment of jaundice, clears heat toxin
Form:
Granules

功能主治:
清热解毒、利湿退黄。用于热疖痈毒、湿热黄疸、外感风热等症。
类型: 颗粒

XIAO SHI JIAN PI
消食健脾

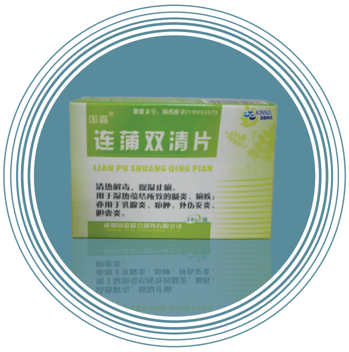
Usage:
Treatment of flatus, inappetency, dyspepsy and spleen weakness
Form:
Tablets

功能主治:
消食、健脾。用于脘腹胀满、伤食呕恶、小儿厌食、消化不良、脾胃虚弱。
类型: 片剂

SHULINGHOU
舒灵喉

Usage:
Clears heat and regenerate body fluid. Treatment of acute and chronic pharyngitis, laryngitis, sore throat and hoarseness
Form:
Tablets

功能主治:
清热解毒、润燥生津。用于急、慢性咽炎、喉炎，以及因用噪过度引起的咽喉疼痛，声音嘶哑等。
类型：片剂



LIANPU SHUANGQING
连蒲双清

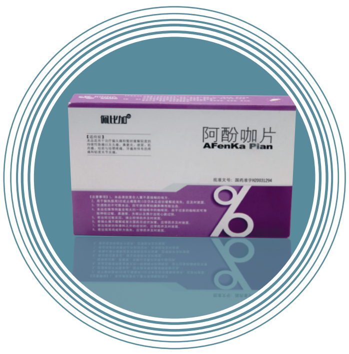
Usage:
Treatment of acute inflammation such as dysentery and intestinal infection
Form:
Tablets

功能主治:
清热解毒、燥湿止痢。
类型：片剂

XIAOLUOTONG
消络痛

Usage:
Dispels wind, dampness. For rheumatoid arthritis and other rheumatic diseases
Form:
Capsules

功能主治:
散风，祛湿。用于风湿性关节炎及其他风湿性疾病。
类型：胶囊



AFENKA
阿酚咖

Usage:
Treatment of migraine, relieves pain from headache, cold, nasosinusitis, muscle pain, menstrual pain, toothache and arthritis
Form:
Tablets

功能主治:
用于治疗偏头痛和暂时缓解轻度的持续性隐痛以及头痛、鼻窦炎、感冒、肌肉疼痛、经前与经期疼痛、牙痛和关节炎痛。
类型：片剂

LETTER TO **SHAREHOLDERS**

Dear Shareholders,

On behalf of our Board of Directors, we are pleased to present our annual report for the financial year ended December 31, 2015 ("FY2015").

FY2015 was a challenging year for the People's Republic of China ("PRC"). The massive stock crash continued to weigh on the slowing economy in PRC. However, we took these challenges in our stride. Despite the challenging business environment, we achieved a turnaround for FY2015 from a net loss for FY2014 as a result of our concerted efforts in streamlining our business operations as well as favourable industry policies introduced by the government. Thus, we are set in motion to propel ourselves for the next phase of growth.

YEAR IN REVIEW

In financial year 2015, the Group's total revenue increased by 2.6% from RMB60.8 million in FY2014 to RMB62.4 million. This was mainly attributable to higher sales from non-prescribed drugs segment arising from increasing demand for Er Ding granules, partially offset by lower contribution from prescribed drugs segment.

Following higher raw materials cost and higher percentage contribution from non-prescribed drugs segment which have lower gross profit margin, gross profit margin decreased from 55.4% for FY2014 to 53.4% for FY2015.

Other income increased by RMB2.4 million year-on-year ("yoy") mainly due to relocation compensation of RMB2.0 million as the Group's rented headquarters at Yingbin Avenue, Chengdu, China has been taken back by landlord for redevelopment and gain on sale of held-for-trading investment securities of RMB0.3 million.

Selling and distribution costs declined by 15.5% yoy to RMB21.0 million for FY2015 due to lower sales from prescribed drugs segment resulting in lower expenses incurred for salesperson salaries and travelling costs. Administrative costs decreased by 8.4% yoy to RMB11.6 million for FY2015 largely due to lower amortisation expenses for intangibles, lower entertainment costs and expenses incurred for up keeping of premises. Other costs of RMB0.4 million for FY2015 pertained to impairment made on the Group's oral liquid production facility.

As a result, the Group recorded net profit attributable to shareholders of RMB2.4 million for FY2015 compared to a net loss of RMB3.8 million for FY2014.

In order to improve the quality of the Singapore stock market, Singapore Exchange ("SGX") implemented a minimum trading price requirement of S$0.20 per share for shares listed on SGX Mainboard. To comply with the requirement, the Group proposed a share consolidation of every 10 existing issued ordinary shares into one new ordinary share on 9 July 2015 and it is completed on 1 September 2015.

Subsequently, the Group raised approximately RMB6.4 million (S$1.4 million) of net proceeds from a placement of 3 million new ordinary shares to Shenzhen Sichuang Meishi Pharmaceuticals Research And Development Co., Ltd. (the "Subscriber"). Leveraging on the Subscriber's experience in the business of research and

development of pharmaceutical drugs, we are able to further enhance our capabilities in the pharmaceutical industry. Approximately 80% to 100% of the proceeds will be used to acquire an office space in Singapore to house our headquarters and the balance is for general working capital. Following from the completion of share consolidation and share placement, the total number of issued shares has increased to 23 million shares.

EMBARKING ON NEW JOURNEY

The Group is well-prepared to embark on a new journey. In 2016, we will be deploying several growth strategies to address the challenges in the competitive pharmaceutical industry and grow our revenue and profit contribution. We will proactively look for new business opportunities to unlock significant shareholder value while being mindful of the prevailing business environment.

LAUNCHING NEW PRODUCTS

Currently, we are holding around 40 permanent drug licenses which are granted by State Food and Drug Administration (SFDA) and the Group has only commercialised 7 of these licenses. This gives the Group an edge to roll out more products in the future compared to other industry players. In tandem with our commitment to provide greater value to the customers, we are planning to launch 2 to 3 new or improved products every year. Moreover, to harness the growing potential of non-prescribed drugs market and reduce reliance on the prescribed drugs segment, we will be devoting more resources to promote non-prescribed products such as Er Ding and Xiao Shi Jian Pi.

BUILDING BRAND AWARENESS

Brand awareness is one of the key factors that will influence consumers' choice of pharmaceutical products. Therefore, we will step up our efforts in brand building activities to further capture market share in the industry. One of the initiatives includes introducing new packaging for all the existing products and unifying them under the "国嘉" brand. Leveraging on the Group's branding, the Group will re-launch these products with the refreshed new packaging at a higher price.

In order to drive costs down and improve our operational efficiency, we will be engaging with distributors rather than salespersons. We will be adopting cash on delivery model for non-prescribed products which would enable the Group to have a healthier balance sheet as the risk of failing to collect the outstanding receivables is significantly mitigated. Besides, this is also an effective method to protect our brand equity and manage our market as the distributors will be more prudent in placing orders with us. In order to strengthen our reputation as a manufacturer of high quality products and expand our distribution channels, we have been actively participating in National Drug Fair which is held twice per annum. This drug fair provides a platform for the Group to showcase our products to a large number of distributors, retailers, pharmacists and hospital officials. The Group has successfully expanded its distributor network by signing 171 new distributors during the National Drug Fair in Xiamen.

LETTER TO **SHAREHOLDERS**

FOCUSING ON RESEARCH AND DEVELOPMENT

We will also remain focused on the research and development activities with the aim of improving our existing products as well as innovating new products. We have successfully obtained a patent for right to "flavanone compound and preparation method and application ZL201310149484.1" for Penthorum Chinense Pursh, which is proven to have significant effects in protecting the liver. Capitalising on the patent for Penthorum Chinense Pursh, we have started to conduct research on the usage of more advanced technology in isolating and finding new active ingredients in Penthorum Chinense Pursh. Moreover, we will expand our production capacity to cater to the rapidly growing demand for pharmaceutical products.

INDUSTRY OUTLOOK

In order to establish an effective and safe drug system, several healthcare reforms have been implemented in 2015. Starting from June 1, the National Development and Reform Commission (NDRC) has removed the price caps of most of the medical drugs and allowed the price of the drugs to be set by the market[1]. Besides anesthetics and grade-one psychiatric medications, the prices of other drugs are no longer set by the government. The lifting of price ceilings of the drugs would benefit the drug makers with strong branding and quality products. Leveraging on the Group's established brand name and quality products, the Group is well-poised to ride on this favourable trend.

A national plan, "Made in China 2025", has been unveiled by China's State Council in May 2015 with an intention to transform the PRC into the world manufacturing power in 10 years. This plan focuses on achieving breakthroughs in medical and medical devices and 9 other sectors[2]. PRC has the world's largest population. However, its population has been aging very rapidly. Currently, more than 20 percent of its population is over 55 year-old and the number of young population is falling. In order to cater to the medical needs of the vast aging population, China aims to produce their own drugs. The latest forecast by IMS Health also revealed that China will be spending around US$165 billion on medicines by 2020[3]. This would translate into greater business opportunities to the local drug makers including the Group.

APPRECIATION AND ACKNOWLEDGEMENT

First of all, we would like to express our gratitude to the management team and the staff for their endeavour and commitment in 2015. Without their dedication and efforts, we would not be able to achieve a commendable performance this year. Next, the greatest thanks goes out to our customers and suppliers for their unwavering support and trust. We would like to extend our heartfelt gratitude to our shareholders who have gone through many ups and downs with us. With your support, we are motivated to achieve greater success. Last but not least, we would like to thank our beloved Board members for their guidance and counsel.

JIANG YUN
Executive Chairman

WU XUEDAN
Chief Executive Officer

[1] Govt to end ceiling on medicine prices to keep costs in check
http://usa.chinadaily.com.cn/business/2015-05/06/content_20631837.htm

[2] Beijing aims to refill medicine chest with "Made in China" drugs
http://www.reuters.com/article/us-china-pharmaceuticals-idUSKBN0TI00J20151130

[3] Global drug spending to hit US$1.4 trillion in 2020
http://www.straitstimes.com/business/economy/global-drug-spending-to-hit-us14-trillion-in-2020

主席及总裁献词

各位尊敬的股东,

我们谨仅代表董事会呈现截至2015年12月31日（2015财政年）的业绩及业务报告。

2015财政年仍是负有挑战的一年。较早前股指大量的跌幅也给中国持续放缓的经济带来冲击。然而，面对这充满挑战的经济环境，经我们齐心的努力，精简业务营运以及中国政府推出对医药行业有利的政策，我们成功的把2014财政年的净亏损转化成了净利润。由此我们已就位，待时步入下个成长阶段。

年度回顾

在2015财政年，集团总营运额为人民币6,240万元，比2014财政年的人民币6,085万元，增长了2.6%。这主要是因为非处方二丁颗粒需求增加带动，而处方药的贡献则下降。

由于原材料成本增加、非处方药虽有较高的营运贡献但利润较低，集团2015财政年的毛利率对比2014财政年的55.4%微跌至53.4%。

其他业务收入同比去年起了人民币240万元。增长主要来自于集团在中国成都迎宾大道租用的总部被业主收回重建所给予的搬迁赔偿为人民币200万元及销售持作交易投资证券获得的收益为人民币30万元。

由于集团在2015财政年处方药的业绩下滑以致集团本年度销售人员的工资及差旅费降低，我们的销售费同比去年减少了15.5%至人民币2,100万元。而集团的管理费也因无形资产摊销费用、应酬费用及绿化及排污费减少等，同比去年下降8.4%，在2015财政年为人民币1,160万元。此外，另有人民币40万元的其他费用，设及于集团口服液生产设施减值。

与2014财政年净亏损为人民币380万元相比，集团在2015财政年应归本集团股权持有人的净利润总计为人民币240万元。

为了提高新加坡股票市场的质量，新加坡证券交易所对在该主板上市的股票实施了每股为0.20新元的最低交易价。为符合此规定，集团在2015年7月9日提议以每10个现有已发行的普通股成一个新的普通股的股票合并，并在2015年9月1日完成。

在那之后，集团销售300万新普通股给深圳思创美式药物研发有限公司（“订购者”），募集资金净额达约人民币640万元（新币140万元）。借助订购者在药物研发的丰富经验，集团将能提高我们在医药行业的技能。至少80%的总募集资金额将会用在为公司总部在新加坡购买一间办公室，其余的便作伪一般营运资金。在股票合并及股票 销售双双完成后，集团已发行股达至2,300万股。

步入新旅程

集团已做好准备步入下一段新的旅程。在2016年，我们将会实施几项增长策略以应对竞争激烈的医药行业所面临的挑战和提高营运及利润贡献。我们会积极寻找新商机开启显著股东价值并将同时念及这充满挑战的营业环境。

推展新产品

集团持有约40个国家食品药品监督管理总局批准的永久性药物执照，却只商业化了其中7个。这让集团占有在未来能比同业竞争对手推出更多药品的优势。与集团为客户提供更多价值的承诺齐步，我们计划每年推出2至3个新或改良产品。此外，为了利用非处方药市场的增长潜力及减少对处方药的依赖，我们也会投资更多的资源以推广非处方药产品如二丁颗粒及消食健脾片。

建立品牌知名度

品牌知名度是影响顾客挑选医疗药物的其中一个因素。因此我们会加强品牌建设活动的力度以进一步获取更多的市场份额。当中一项谋划包括为所有现有产品推出新包装并将它们统一规划在“国嘉”品牌旗下。凭借这品牌优势，集团将会以更高售价重新推出这些换上新包装的产品。

为了降低开支及提升营运效率，我们会直接与分销商接洽。在非处方药品方面，我们也会采用货到付款的营运模式。这能让集团显著减少应收未收款项收不回的风险，从而使集团能有更健康的资产负债表。分销商也会因此与我们订货时会更加谨慎，从而更有效地保障我们的品牌资产及治理我们的市场。为了巩固集团为高品质药品制造商的声誉和开阔分销渠道，我们积极的参与了一年两次的全国药品交易会。该药品交易会为集团提供一个对大量的分销商、零售商、药剂师及医院管员展示我们药品的平台。集团已在药品交易会中签订171个新的分销商，成功地扩展我们的分销渠道。

专注于研究与开发

我们也会继续专注于研究与开发活动，以改进现有产品和研发新产品为目标。我们成功获得专利为赶黄草黄铜化合物和制备方法及应用的权利。此药物证实了对保护肝脏有显著的效果。我们乘胜追击，现已开始对使用更先进的技术以隔离并获取赶黄草中一些新的活性成分进行研究。另外我们也会扩大生产力以应对医疗药物急速增长的需求。

行业展望

为了建立一个有效而安全的药物制度，国家在2015年已推行几项医疗改革。自本年6月1日起，国家发展和改革委员会已解除了绝大部分医药的价格上线并让医药的价格由市场设定[1]。除了麻醉药及最高等级的精神病药物之外，其他的医药价格已不再是由政府设定的。医药价格上限的解除将有助于享有较知名品牌及质量好的医药制造商。凭借集团所建立的品牌和优质产品，我们已做好准备呈上这股有利的趋势。

2015年5月中国国务院揭开了一项全国计划“中国制造2025”，打算在10年内让中国转换并打造成为世界制造业的强国。该计划专注于在医疗和医疗仪器及其他9个领域中取得突破[2]。中国是世界人口最大的国家，但正面临人口急速老化的问题。如今超过20%人口处于55岁以上而年轻人口的数据在下滑。为了应对庞大人口老化的医疗需求，中国打算制造自己的医疗药物。艾美仕研究公司最新预计显示中国达2020年将在药物上花费约美元1,650亿元[3]。

鸣谢

首先，我们对管理层和员工在2015年的努力与决心表示感激。没有他们的努力奉献，我们今年就不可能取得如此可表扬的成绩。紧接着，将最大的鸣谢给予一直以来无限量支持及信任我们的顾客及供应商。我们还要向陪着我们经历许多起起伏伏的各位股东最真挚的感谢。你们的的鼎力支持推动着我们争取更大的成就。最后，我们要谢谢董事们的指导献策和资询。

江云
执行主席

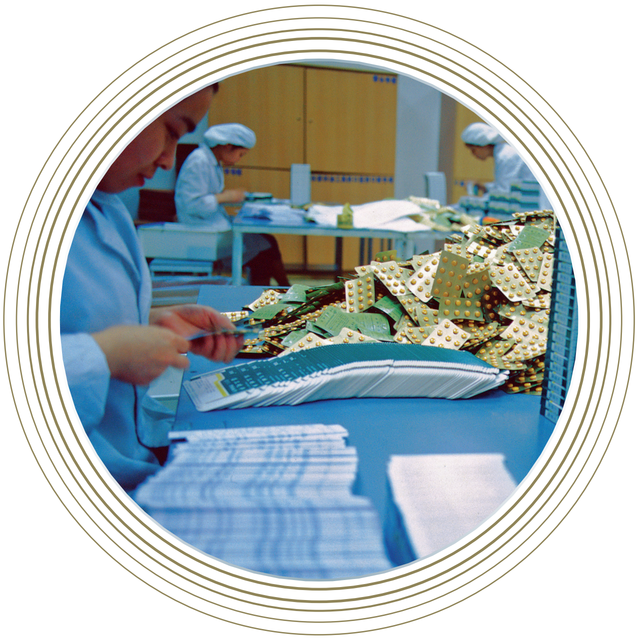
吴学丹
总裁

[1] Govt to end ceiling on medicine prices to keep costs in check
http://usa.chinadaily.com.cn/business/2015-05/06/content_20631837.htm

[2] Beijing aims to refill medicine chest with “Made in China” drugs
http://www.reuters.com/article/us-china-pharmaceuticals-idUSKBN0TI00J20151130

[3] Global drug spending to hit US$1.4 trillion in 2020
http://www.straitstimes.com/business/economy/global-drug-spending-to-hit-us14-trillion-in-2020

OPERATIONS & **FINANCIAL REVIEW**



REVENUE

Despite the challenging business environment, the Group's revenue increased by RMB1.6 million from RMB60.8 million for FY2014 to RMB62.4 million for FY2015 mainly attributable to higher sales from non-prescribed drugs segment arising from increasing demand for Er Ding granules, partially offset by lower contribution from prescribed drugs segment.

Following higher raw materials cost and higher percentage contribution from non-prescribed drugs segment which have lower gross profit margin, gross profit margin decreased from 55.4% for FY2014 to 53.4% for FY2015.

Other income increased by RMB2.4 million yoy mainly due to relocation compensation of RMB2.0 million as the Group's rented headquarters at Yingbin Avenue, Chengdu, China has been taken back by the landlord for redevelopment and gain on sale of held for trading investment securities of RMB0.3 million.

EXPENSES

Selling and distribution costs declined by 15.5% yoy to RMB21.0 million for FY2015 due to lower sales from prescribed drugs segment resulting in lower expenses incurred for salesperson salaries and travelling costs. Administrative costs decreased by 8.4% yoy to RMB11.6 million for FY2015 largely due to lower amortisation expenses for intangibles, lower entertainment costs and expenses incurred for upkeeping of premises. Other costs of RMB0.4 million for FY2015 pertained to impairment made on the Group's oral liquid production facility.

Furthermore, finance income declined by 62.4% yoy for FY2015 mainly attributable to lower interest income from structured deposit. On the other hand, finance costs increased by RMB0.5 million to RMB1.0 million for FY2015 primarily due to increased bank borrowing.

PROFIT

As a result of the above factors, the Group recorded net profit attributable to shareholders of RMB2.4 million for FY2015 compared to a net loss of RMB3.8 million for FY2014.

FINANCIAL POSITION

The Group's non-current assets were RMB17.4 million as at 31 December 2015, a decrease of RMB 0.7 million from RMB18.1 million as at 31 December 2014. This was mainly due to capital expenditure of RMB1.5 million, offset by depreciation of the Group's property, plant and equipment and amortisation of its land use rights totalling RMB1.8 million and impairment of RMB0.4 million pertaining to the Group's oral liquid production facility.

OPERATIONS & **FINANCIAL REVIEW**

The Group's current assets were RMB107.5 million as at 31 December 2015, an increase of RMB20.7 million from RMB86.8 million as at 31 December 2014. This was mainly due to higher cash and cash equivalents and inventories. The increase in cash and cash equivalents was mainly due to proceeds from maturity of structured deposit, proceeds from bank borrowing, proceeds from issuance of new shares and improved trade collections. Inventories increased mainly due to higher level of raw materials and work-in-progress for ErDing granules in anticipation of the continued strong demand. Other receivables decreased due to accrued interest income on structured deposit amounting to RMB3.0 million received in 1Q 2015, lower advances to salesmen of RMB1.1 million and advances to staff for cash purchases of RMB0.7 million. Improved collections attributed to lower trade receivables during the year.

The Group's current liabilities were RMB23.5 million, an increase of RMB10.4 million from RMB13.1 million as at 31 December 2014. The increase was mainly due to new borrowing which Longlife took up. Payments to trade creditors were slower during the financial year while accrued liabilities and other payables decreased due to lower deferred R&D grant as at year end.

CASH FLOW

The Group's net cash flow from operating activities was RMB10.7 million for FY2015 as compared to RMB8.7 million generated in FY2014, mainly due to higher operating profit and interest income received from structured deposit upon maturity.

Net cash inflow from investing activities of RMB13.8 million was mainly due to proceeds from maturity of structured deposit, which was partially offset by capital expenditure mainly for acquisition of motor vehicles.

Net cash inflow of RMB16.4 million from financing activities was due to proceeds from a bank borrowing by Longlife and issuance of new shares.

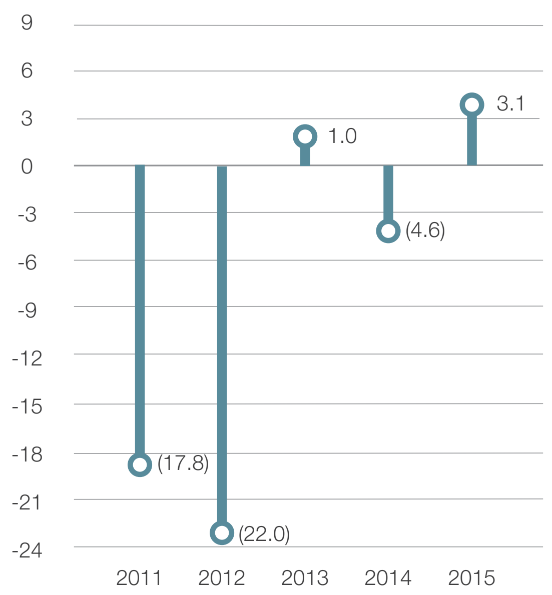
As at the end of 31 December 2015, the Group had cash and cash equivalents of RMB77.1 million.

SHAREHOLDERS' FUNDS

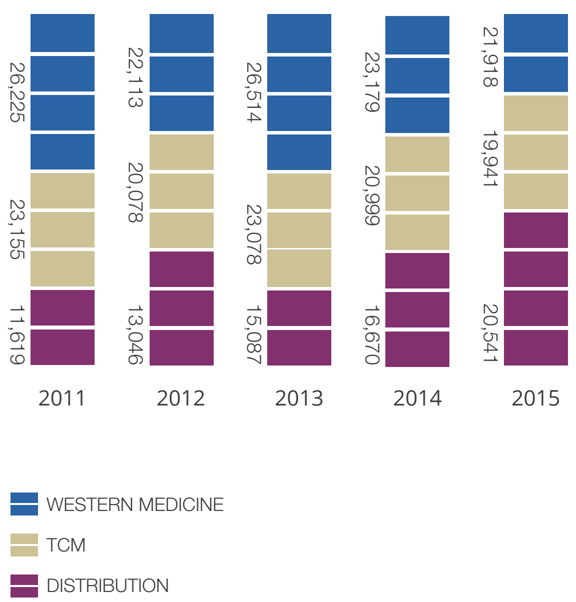
Shareholders' funds amounted to RMB96.2 million as at 31 December 2015. With Group's net profit attributable to equity holders at RMB2.4 million, net profit per share was RMB11.80 cents, compared with net loss per share of RMB19.0 cents a year before. Net asset value per share as at 31 December 2015 was RMB4.18.

FINANCIAL **HIGHLIGHTS**

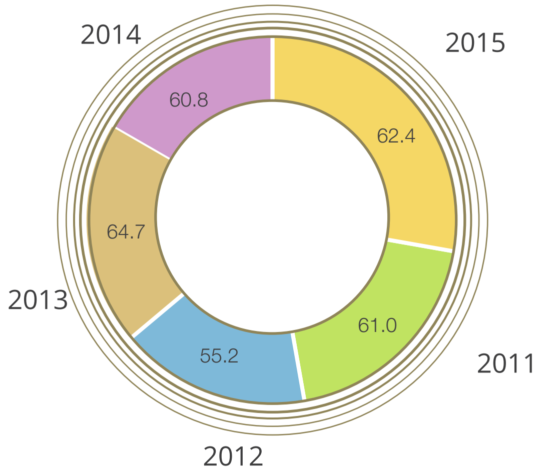
Profit/(Loss) Before Tax
(RMB Million)



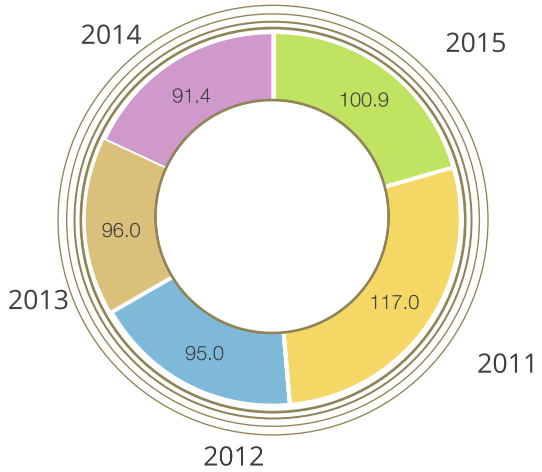
Revenue By Sector
(RMB Thousand)



Revenue
(RMB Million)



Equity
(RMB Million)



BOARD OF DIRECTORS

MR. JIANG YUN
Executive Chairman

江云
执行主席

Previously the CEO and Executive Chairman of our Group, Mr. Jiang Yun has been re-appointed as the Group's Executive Chairman on 15 January 2015.

Fully responsible for the stewardship and guidance of the Group in its developments and future plans, Mr. Jiang Yun also leads the Board in strategising and setting policies for the Group's operations.

Mr. Jiang Yun brings with him a wealth of experience in the management of pharmaceutical businesses. He worked at Sichuan Pharmaceuticals Co., Ltd. as Chief of Quality Control before founding Chengdu Kinna. He also spearheaded the construction of PRC's first traditional Chinese medicinal herbs GMP (Good Manufacturing Practice)-certified plant.

Mr Jiang Yun holds a Masters degree in Medicinal Chemistry from West China University of Medical Sciences. He is a visiting scholar at Stanford University. Currently, he is also a committee member at the Chinese Pharmacopoeia Commission.

江云先生曾担任本集团的执行主席。于2015年1月15日，再次被委任为集团执行主席。

江云先生将把握集团发展方向，带领董事会共同探讨、制定运营策略，全面管理、经营本集团。

江云先生拥有丰富的医药领域企业管理经验。曾任职中国国营四川制药厂，后创办国嘉制药，并主持了中国第一个中药饮片GMP工厂的建设。

江云先生拥有华西医科大学药学硕士学位，是美国斯坦福大学访问学者。目前，他还担任中国国家药典委员会委员。

MR. WU XUEDAN
Chief Executive Officer and Executive Director

吴学丹
总裁兼执行董事

Mr. Wu Xuedan has been an Executive Director since 16 April 2004. He was appointed as our Chief Executive Officer on 5 January 2009. Mr. Wu has years of experience in the pharmaceutical industry.

Mr. Wu oversees the overall management and operations of the Group as well as supervises the research and development activities. Mr. Wu joined Chengdu Kinna in 1996. Prior to that, he was the Production Manager at Chengdu Automobile Maintenance and Repair Factory under the Ministry of Communications (Transport) from 1983 to 1996.

Mr. Wu graduated from Economic Management Correspondence Union University in 1987 specialising in Industrial Enterprise Management. Mr. Wu also holds a Diploma in Mechanical Manufacturing from Wuhan Water Transport Secondary Specialised School.

吴学丹先生在2004年4月16日加入本公司担任执行董事一职，随后在2009年1月5日受委任总裁。他在生物医药领域上拥有丰富的经验。

吴先生负责监督集团的管理、营运、研究和发展方针等事项。他在1996年加入国嘉制药，而在之前的1983年至1996年间，他也担任过交通部成都汽车保修机械厂的生产科科长。

吴先生在1987年毕业于经济管理刊授联合大学工业企业管理专科。他也同时拥有武汉水运工业学校的机械制造专业文凭。

MR. CHEW HENG CHING
Lead Independent Director

周亨增
首席独立董事

Mr. Chew Heng Ching has been an Independent Non-Executive Director since 9 November 2005. He assumes the role of Non-Executive Chairman on 5 January 2009. Mr. Chew has relinquished his position as the Chairman of the Company and he has been appointed as Lead Independent Director of the Company on 15 January 2015. Mr. Chew has more than 30 years of senior management experience in both the private and public sectors.

In corporate life, Mr. Chew is the founding President of the Singapore Institute of Directors and was Past Chairman of its Governing Council. He sits on the board of various publicly listed companies in Singapore and chairs their various Board Committees. He was a Member of the Council on Corporate Disclosure and Governance. He was also a Board member and Past Chairman of the Singapore International Chamber of Commerce. He was a Council Member of the Singapore Business Federation.

In public life, Mr. Chew was a Member of Parliament from 1984 to 2006 and a former Deputy Speaker of the Singapore Parliament. He currently serves on the Board of various charities.

A Colombo Plan scholar, Mr. Chew is a graduate in Industrial Engineering (1st Class Honours) and Economics. He also holds an Honorary Doctorate in Engineering. He is a fellow of the Singapore Institute of Directors and CPA Australia.

周亨增先生自2005年11月9日被委任为独立兼非执行董事，并在2009年1月5日受委成为非执行主席。周先生自公司主席的职位卸任后，并于2015年1月15日受委成为首席独立董事。他拥有超过30年的高级管理层经验，跨足私人及公共领域。

在企业领域上，周先生是新加坡董事学会的创办人，也是其管理委员会的前主席。他目前是许多本地上市公司的董事，并担任其委员会主席。他曾是企业披露与监管理事会的成员。他是新加坡国际商会的前主席，目前依然是该会成员。他也担任过新加坡工商联合总会的理事会成员。

在公共服务方面，周先生从1984年至2006年担任国会议员，也曾担任国会副议长。他目前在许多慈善机构的董事局里服务。

身为一名科伦坡计划奖学金得主，周先生获得工业工程（一等荣誉）以及经济学位。他也同时拥有工程荣誉博士学位。他目前是新加坡董事学会以及澳大利亚注册会计师学会的成员。

MR. CHEW THIAM KENG
Independent Non-Executive Director

周添庆
独立兼非执行董事

Mr. Chew Thiam Keng has been an Independent Non-Executive Director since 25 August 2004. He was re-elected as a director on 28 April 2014.

Mr. Chew is currently the Chief Executive Officer of Ezion Holdings Limited. Prior to joining Ezion Holdings Limited, Mr. Chew was the Managing Director/CEO of KS Energy Services Limited for about five years and was the Executive Director of Kian Ann Engineering Ltd. between 1996 and November 2001. Before that, Mr. Chew was with The DBS Bank Ltd. for nine years working in the areas of banking such as corporate finance and retail banking.

Mr. Chew holds a Master Degree in Business Administration from the University of Hull and a Bachelor Degree (Honours) in Mechanical Engineering from the National University of Singapore.

周添庆先生自2004年8月25日担任独立兼非执行董事，随后在2014年4月28日继续连任。

周先生目前担任毅之安控股有限公司的总裁。在加入毅之安控股有限公司之前，他曾经在金声能源服务担任总裁长达5年，也在1996年至2001年11月间担任建安机械有限公司的执行董事。周先生曾在新加坡发展银行长达9年的时间，主要投身于企业融资和零售银行等银行服务。

周先生拥有赫尔大学工商管理硕士以及新加坡国立大学之机械工程学士荣誉学位。

DR. PU WEIDONG
Independent Non-Executive Director

濮卫东
独立兼非执行董事

Dr. Pu Weidong was appointed as a Non-Independent and Non-Executive Director of our Company on 6 March 2008. Dr. Pu was re-designated to Independent Non-Executive Director with effect from 1 January 2011 and was re-elected as a director on 30 April 2015.

Dr. Pu is currently the Chief Executive Officer and Executive Director of Sinopipe Holdings Limited. He is also the Managing Director of Triumpus Capital Ltd. Dr. Pu was the Vice President and Chief Financial Officer of Sinomem Technology Limited between 2006 and December 2009. Before his employment with Sinomem Technology Limited in 2006, he was an investment analyst with DMG & Partners, and subsequently UOB Kay Hian for five years.

Dr. Pu holds a Bachelor Degree in Environmental Engineering from Suzhou Institute of Urban Construction & Environmental Protection in China. He also holds MSc by Research in Finance and Accounting from National University of Singapore and Master and Ph.D. in Economics from Fudan University, China. Dr. Pu is a CFA charterholder.

濮卫东博士在2008年3月6日受委任本公司之非独立兼非执行董事。自2011年1月1日起，他调任成为独立兼非执行董事。他于2015年4月30日连任董事一职。

濮博士目前担任中国管业控股有限公司总裁兼执行董事。他也是Triumpus Capital Ltd的常务董事，并曾经在2006年与2009年12月期间担任新达科技的副总裁兼首席财务官。在加入新达科技之前，他曾在证券行业服务5年，在德意志摩根建富和大华继显担任投资分析员。

濮博士毕业于中国苏州城建环保学院环境工程系。他拥有新加坡国立大学主修财经与会计研究的理学硕士以及复旦大学经济硕士和博士学位。他目前是美国特许证券分析师学会(CFA)的特许资格持有人。

CORPORATE GOVERNANCE STATEMENT **AND FINANCIAL CONTENTS**

CORPORATE
GOVERNANCE STATEMENT

Pharmesis International Ltd. (the "Company") and its Management are committed to maintaining a high standard of corporate governance to safeguard the interest of all its stakeholders and complying with the principles and guidelines set out in the new Code of Corporate Governance 2012 (the "Code") which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual. This report outlines the Company's corporate governance practices throughout the financial year with specific reference to the Code issued by the Monetary Authority of Singapore (MAS) on 02 May 2012.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board's primary role is to protect shareholders' interests and enhance long-term shareholders' value. It sets the overall strategy for the Company and its subsidiaries (the "Group") and supervises the management. To fulfill this role, the Board is responsible for setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of these goals.

Apart from its statutory responsibilities, the Board's principal functions include the following:-

(i) approve annual reports, periodic financial announcements and accounts;

(ii) ensure management leadership of high quality, effectiveness and integrity;

(iii) appoint key personnel;

(iv) review financial performance and implement financial policies which incorporate risk management, internal controls and reporting compliance; and

(v) assume responsibility for corporate governance framework of the Company.

To assist in the execution of its responsibilities, the Board is supported by a number of committees which include a Nominating Committee, a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis.

The Group has adopted and documented internal guideline setting for the matters that require Board approved. Matters which are specifically reserved for decision of the full Board include:-

(i) approve the Group's corporate and strategic directions;

(ii) approve annual budgets, investment and divestment proposals;

(iii) material acquisition and disposal of assets;

(iv) capital-related matters including financial re-structure, market fund-raising; share issuance, interim dividend and other returns to shareholder; and

(v) convening of general meetings.

The Board meets at least four (4) times a year to oversee the business affairs of the Group and approve any financial or business strategies or objectives. Where necessary, additional Board meetings and committee meetings are held to deliberate on urgent substantive matters. Telephonic attendance and conference via audio communication at Board meetings are allowed under the Company's Articles of Association.

The details of the number of Board and Board Committees meetings held during the financial year and the attendance of each Board member at those meetings are disclosed as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr. Jiang Yun	4	4	N.A.	N.A.	N.A.	N.A.	1	1
Mr. Wu Xuedan	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Chew Heng Ching	4	4	4	4	1	1	1	1
Mr. Chew Thiam Keng	4	4	4	4	1	1	1	1
Dr. Pu Weidong	4	4	4	4	1	1	1	1

New directors appointed to the Board are given an orientation to the Group's operational facilities in the People's Republic of China ("PRC") and meet up with senior management to provide background information about the Group's history and business operations. In addition, the Board is provided with regular updates with respect to new laws, rules, regulations, listing requirement, governance practices and other regulations in order to adapt to the changing commercial risks relating to the business and operations of the Group.

Principle 2: Board Composition and Guidance

The Board comprises 5 Directors: Three (3) Independent Directors and two (2) Executive Directors. Their collective experience and contributions are valuable to the Group. The Directors as at the date of this report are listed as follows: -

Mr. Jiang Yun	Executive Chairman
Mr. Wu Xuedan	Chief Executive Officer and Executive Director
Mr. Chew Heng Ching	Lead Independent Director
Mr. Chew Thiam Keng	Independent Non-Executive Director
Dr. Pu Weidong	Independent Non-Executive Director

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or officers that could interfere or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Company. Meanwhile, Nominating Committee ("NC") will review the independence of each director annually, bearing in mind the circumstances set forth in the Code.

The Board constantly examines its size with a view to determining the number for effective decision-making. The Board is of the view that its current size is appropriate, which facilitates effective decision-making.

Mr. Chew Thiam Keng ("Mr. Chew TK") and Mr. Chew Heng Ching ("Mr. Chew HC") were appointed as an Independent Director on 25 August 2004 and 9 November 2005 respectively and have served the Board for more than nine (9) years. The NC has conducted a rigorous review on Mr. Chew TK's and Mr. Chew HC's independence and together with the Board, considers them to be independent. Both Mr. Chew TK and Mr. Chew HC are independent in character and judgment and have no relationships or circumstances which are likely, or could appear to affect their objectivity and independent judgment.

The directors bring with them a wealth of expertise and experience in areas such as accounting, finance, business or management experience and industry knowledge. The current Board composition enables the management to benefit from a diverse and objective perspective on any issues raised before the Board. Key information of directors is set out on pages 12 to 14 of this Annual Report. No individual or group of individuals dominates the Board's decision-making.

Principle 3: Chairman and Chief Executive Officer

The Board subscribes to the principles set out in the Code on the separation of the roles of the Chairman and the Chief Executive Officer ("CEO"). The roles and responsibilities of the Chairman and CEO in the Company are distinct and separate. This is to ensure appropriate balance of power and authority, accountability and decision making.

The Chairman and the CEO are not related to each other. The CEO is responsible for the day-to-day management of the affairs of the Group. He takes a leading role in developing and expanding the businesses of the Group and ensures that the Board is kept updated and informed of the Group's business.

The Chairman's responsibilities include:

(i) scheduling meetings and leading the Board to ensure its effectiveness and approves the agenda of Board meetings in consultation with the CEO;

(ii) reviewing key proposals and Board papers before they are presented to the Board and ensures that Board members are provided with accurate and timely information;

(iii) ensuring that Board members engage Management in constructive debate on various matters including strategic issues and business planning processes; and

(iv) promoting high standards of corporate governance.

Principle 6: Access to Information

From time to time, the directors are furnished with detailed information concerning the Group to enable them to be fully aware and understand the decisions and actions of the management of the Group. The Board has unrestricted access to the Group's records and information. As a general rule, Board papers are required to be sent to directors at least four (4) days before Board meeting so that members may better understand the matters before the Board meeting and discussion may be focused on questions that the Board has about the Board papers. The Board papers include sufficient information from the management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings.

The independent directors have separate and independent access to the Group's senior management and Company Secretary at all times. The appointment and removal of the company secretary is a matter for the Board as a whole. The Board also takes independent professional advice as and when necessary to enable them to discharge their responsibilities effectively. Subject to the approval of the Chairman, Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the Company's expense.

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The NC comprises the following directors, the majority of whom including the Chairman is independent. The Chairman is not associated with the substantial shareholders of the Company:

Mr. Chew Heng Ching,	Lead Independent Director	(Chairman)
Mr. Chew Thiam Keng,	Independent Non-Executive Director	(Member)
Dr. Pu Weidong,	Independent Non-Executive Director	(Member)
Mr. Jiang Yun,	Executive Director	(Member)

The Board has approved the written terms of reference of the NC, whose principal functions include the following:

(i) make recommendations to the Board on all Board appointments taking into account the director's contribution and performance;

(ii) review the Board's structure, size and composition, having regard to the principles of corporate governance and the Code;

(iii) procure at least one-third (1/3) of the Board shall comprise of independent directors (or such other minimum proportion and criteria as may be specified in the Code from time to time);

(iv) identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;

(v) formulate succession plan;

(vi) determine, on an annual basis, whether a director is independent based on the circumstances set forth in the Code;

(vii) recommend directors who are retiring by rotation to be put up for re-election;

(viii) decide whether or not a director is able to carry out and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations and other principal commitments;

(ix) assess the effectiveness of the Board as a whole and assess the contribution of each individual director to the effectiveness of the Board on an annual basis;

(x) recommend to the Board on the review of training and professional development programs for the Board, and;

(xi) conduct rigorous review the independence of the director who had served on Board beyond nine (9) years from the date of his appointment.

Board member's others directorships are disclosed as follows:

Name of Director	Nature of Appointment	Date of Initial Appointment	Date of Last Re-election	Membership of Board Committee	Directorship in other Listed Companies
Mr. Chew Heng Ching	Independent Director	9 November 2005	30 April 2015	Chairman of Nominating Committee and Audit Committee Member of Remuneration Committee	Present:- i) Bonvests Holdings Limited ii) Ausgroup Limited iii) Huan Hsin Holdings Ltd iv) Stratech Systems Limited v) Sinopipe Holdings Limited vi) Spindex Industries Limited Preceding three years:- i) Chosen Holdings Limited ii) Lee Kim Tah Holdings Limited
Mr. Chew Thiam Keng	Independent Director	25 August 2004	28 April 2014	Chairman of Remuneration Committee Member of Nominating Committee and member of Audit Committee	Present:- i) Ezion Holdings Limited ii) Charisma Energy Services Ltd Preceding three years:- i) Multi-Chem Limited
Dr. Pu Weidong	Independent Director	6 March 2008	30 April 2015	Member of Nominating Committee, Remuneration Committee and Audit Committee	Present:- i) Sinopipe Holdings Limited
Mr. Jiang Yun	Executive Director	15 January 2015	30 April 2015	Member of Nominating Committee	–
Mr. Wu Xuedan	Executive Director	16 April 2004	28 April 2014	None	–

Information in respect of the academic and professional qualifications, and other appointments for each Director is disclosed in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section of the Annual Report.

Pursuant to the Company's Articles of Association, all directors must submit themselves for re-election at the Annual General Meeting ("AGM") at least once every three years and all newly appointed directors during the year shall retire at the next AGM. Retiring Directors are eligible for re-election.

The NC has recommended to the Board that Mr. Wu Xuedan and Mr. Chew Thiam Keng who are due for retirement by rotation under Article 91 be nominated for re-election at the forthcoming AGM. In making its recommendation, the NC evaluates such directors' contribution and performance, such as their attendance at meetings of the Board and Board Committees, where applicable, candour and any special contributions. As part of the appointment and re-appointment process, the NC will also consider whether a director with multiple board representations is able to carry out, and has been devoting sufficient time to adequately carry out his duties as a Director of the Company, with regard to the director's number of listed company board representations and other principal commitments.

The Board does not prescribe a maximum limit on the number of listed company board representations a director may hold, as the Board believes that a director can only determine by himself the number of board representations he can manage and the more appropriate measure is the ability of such Director to contribute effectively and demonstrate commitment to his role, including commitment of sufficient time and attention to the Group's business and affairs.

The NC is also responsible for determining annually, the independence of directors. In its annual review, the NC, having considered the guidelines set out in the Code, has confirmed the Non-Executive Directors namely, Mr. Chew Heng Ching, Mr. Chew Thiam Keng and Dr. Pu Weidong are independent. The NC has reviewed and is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

The NC has an annual Board performance evaluation to assess the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board by having the directors complete a questionnaire. The findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

The NC, in assessing the contribution of each director, had considered his attendance and participation at Board and Board Committee Meetings, his qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including management's access to the directors for guidance or exchange of views as and when necessary. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered. Such criteria include return on equity and the achievement of strategic objectives.

The search and nomination process for new directors are through personal contacts and recommendations of the Director. The NC will review and assess candidates before making recommendation to the Board. The NC will also take the lead in identifying, evaluating and selecting suitable candidate for new directorship. In its search and selection process, the NC considers factors such as commitment and the ability of the prospective candidate to contribute to discussions, deliberations and activities of the Board and Board Committees.

REMUNERATION MATTERS

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The RC comprises entirely Independent Directors. The members of the RC are:

Mr. Chew Thiam Keng,	Independent Non-Executive Director	(Chairman)
Mr. Chew Heng Ching,	Lead Independent Director	(Member)
Dr. Pu Weidong,	Independent Non-Executive Director	(Member)

The role of the RC is to review and recommend to the Board a general framework of remuneration for the Board and key management personnel of the Group, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and rewards, and benefit in kind.

The RC, in establishing the framework of remuneration policies for its directors and key executives is largely guided by the financial performance of the Company. The primary objective of the RC is to align the interests of management with that of the shareholders. In this regard, the RC believes that remuneration should be competitive and sufficient to attract, retain and motivate the Executive Directors and key executives to better manage the Company. The performance of Executive Directors (include other key management personnel) is reviewed periodically by the RC and the Board for the entitlement on the long term incentive scheme which is put in place to motivate and reward employees and align their interest to maximize long-term shareholder value.

The Executive Directors do not receive directors' fees. The remuneration package adopted for the Executive Directors are as per service contract entered into between the Executive Directors and the Company. The remuneration policy for Executive Directors consists of fixed amounts in cash and annual variable incentive. The annual variable incentive is payable on the achievement of individual and corporate performance targets.

The Independent Directors have no service contracts with the Company and their terms are specified in the Articles of Association. Save for directors' fees, Non-Executive Directors do not receive any remuneration from the Company. Directors' fees are set in accordance with a remuneration framework comprising basic fees and additional fees for serving on any of the committees. Directors' fees are subject to the approval of the shareholders as a lump sum payment at the AGM.

The Company does not use contractual provisions to allow the Company to reclaim incentive component of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The aggregate amount of the retirement and post-employment benefits to Directors, the CEO and top 5 Key executives (who are not directors or CEO) is approximately S$20,000. Details of the said benefits can be found on pages 50 and 51 of the Annual Report.

The RC met once during the financial year. The RC reviewed and recommends the remuneration of the Executive Directors and fees payable to the Non-Executive Directors.

A list of each Non-Executive and the Executive Director's remuneration paid during the financial year ended 31 December 2015 is shown below:

Remuneration Band and Name of Director	S$('000)	Directors' Fees (1)	Salary	Bonus	Total
		%	%	%	%
Below S$250,000					
Mr. Jiang Yun	125	–	100	–	100
Mr. Wu Xuedan	214	–	100	–	100
Mr. Chew Heng Ching	65	100	–	–	100
Mr. Chew Thiam Keng	45	100	–	–	100
Dr. Pu Weidong	40	100	–	–	100

[1] The Directors' fees for the financial year ended 31 December 2015 has been approved by the shareholders at the AGM held on 30 April 2015.

Key Executive

The Company has only one (1) key management personnel (who is not a Director or CEO of the Company) and that is Ms. Tee Siaw Yean, Shelliane, the Financial Controller. Her annual remuneration for the financial year under review comprising 100% in salary and is less than S$250,000.

Immediate Family Member of Director

The Company does not have any employee who is an immediate family member of a Director or CEO.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties. The Group ensures that price-sensitive information is first publicly released and announced within the prescribed period after the review by the Board.

Principle 11: Risk Management and Internal Controls
Principle 13: Internal Audit

The Company has outsourced the internal audit function to a professional firm. The Internal Auditor reports directly to the Chairman of the Audit Committee ("AC") on internal audit matters and to management on administrative matters. To ensure the adequacy of the internal audit function, the AC reviews and approves, on an annual basis, the internal audit plans and the resources required to adequately performing this function.

The AC has reviewed and satisfied that the Company's internal audit function is adequately resourced and has appropriate standing within the Company.

The Board has received assurance from the CEO and the Financial Controller to ensure that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and the effectiveness of the Company's risk management and internal control systems are operating effectively in all material respects, based on the criteria for effective internal control established.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The AC had reviewed and based on the internal control system established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, is not aware of any issues causing it to believe that the system of internal controls are inadequate and the same was reported to the Board. The Board regularly reviews the effectiveness of all internal controls, including operational controls. The Board with the concurrence of the AC is of the opinion that currently there are adequate internal controls systems in the Company in addressing financial, operational, compliance and information technology controls and risk management systems.

Principle 12: Audit Committee

The AC comprises entirely Independent Directors. The members of the AC are:

Mr. Chew Heng Ching,	Lead Independent Director	(Chairman)
Mr. Chew Thiam Keng,	Independent Non-Executive Director	(Member)
Dr. Pu Weidong,	Independent Non-Executive Director	(Member)

The Chairman and members of the AC have many years of experience in business management and finance. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The responsibilities of the AC include reviewing the scope and results of the audit and its cost effectiveness, the independence and objectivity of the external auditors, significant financial reporting issues and judgments to ensure the integrity of the external auditors, significant financial reporting issues and judgments to ensure the integrity of the financial statements, any formal announcements relating to the Group's financial performance, the adequacy of the Group's internal controls including financial, operational, compliance and information technology controls, the effectiveness of the Group's internal audit function, and recommending to the Board on the appointment, re-appointment and removal of the external auditors.

Management has arranged in place for a Whistle Blowing policy, by which staff of the Group may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters with the AC. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action. There was no whistle blowing report received during the financial year.

The AC also has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

During the financial year, the AC held four (4) meetings and met with internal and external auditors, without the presence of the Company's management, at least once a year to review the overall scope of both internal and external audits, and the assistance given by the management to the auditors. Updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the AC periodically.

During the financial year, the AC has reviewed the scope and quality of audit by the external auditors and the independence and objectivity of the external auditors as well as the cost effectiveness. The AC also reviewed the audit and non-audit fees paid to the external auditors. The total amount paid to the external auditors during the financial year is S$85,000, comprising of S$80,000 audit fee and S$5,000 non-audit fee. The non-audit fee is 6% out of the total audit fee paid to the external auditors. The AC, having reviewed all non-audit services provided by the external auditors of the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Group does not appoint different auditors for its significant subsidiaries or associated companies.

The Company is in compliance with Rule 712 and Rule 715 of the SGX-ST's Listing Manual in relation to its external auditors.

The AC has recommended and the Board has approved the nomination of Ernst & Young LLP for re-appointment as the external auditors of the Company at the forthcoming AGM.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a quarterly basis and other ad hoc announcements as required by the SGX-ST. The Company's Annual Report is sent to all shareholders and is available to other investors on request and accessible at the Company's website.

The Board welcomes the views of shareholders on matters affecting the Company, whether at general meetings or on an ad-hoc basis. Shareholders are encouraged to participate effectively in and to vote at the general meetings. Shareholders are informed of general meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairmen of the Audit, Remuneration and Nominating Committees are normally available at the meeting to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders. The Company communicates with the Shareholders and attends to their questions raised during the AGM.

The Company does not have a specific dividend policy. Nonetheless, the management after reviewing the performance of the Company in the relevant financial year will make appropriate recommendation to the Board. Any dividend declaration will be communicated to shareholders via announcement through SGX-Net.

No dividend was declared for the financial year ended 31 December 2015 as the Company wishes to reserve the fund for the ongoing business/projects.

The Company's Articles of Association allows a member of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A relevant intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). The Company will review its Articles of Association from time to time and make such amendments to the Articles of Association to be in line with the applicable requirements or rules and regulations governing the Continuing Listing Obligations of the SGX-ST's Listing Manual.

The Directors are normally available to solicit and try to understand the views of the shareholders before and/or after general meetings of the Company.

Dealings In Securities

The Company has adopted as its own internal compliance code, the best practices guide in Rule 1207(19) of the SGX-ST's Listing Manual with regard to dealing in the Company's securities by the directors and its officers. The Directors, management and officers of the Group are prohibited from dealing in the Company's shares on short-term considerations and while they are in possession of unpublished price-sensitive, financial or confidential information. They are also prohibited from dealing in the Company's securities during the periods commencing two weeks before the announcement of the Company's results for the first and third quarters of its financial year and one month before the half-year and full-year results and ending on the day of the announcement, or when they are in possession of unpublished price-sensitive information on the Group.

Interested Person Transactions ("IPTs")

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

The following disclosures have been made in compliance with Rule 907 of the SGX-ST Listing Manual. The aggregate value of all interested person transactions (excluding any transactions less than S$100,000) during the financial year ended 31 December 2015 are 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 shareholders' mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	RMB'000	RMB'000
Sichuan Neautus Traditional Chinese Medicine Co., Ltd (四川新荷花中药饮片股份有限公司) - Sale of raw materials	Nil	3,876,531

MATERIAL CONTRACTS

Saved for the service agreements entered with the CEO and Executive Chairman, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder at the end of the financial year ended 31 December 2015.

USE OF PROCEEDS

The Company received approximately RMB 6.4 million (S$1.4 million) net proceeds from the issuance of 3,000,000 new ordinary shares at SGD 0.50 per share on 2 October 2015. As at the date of this Report, the Company has not utilised any of the proceeds.

The Company will make periodic announcements on the utilisation of the proceeds raised as and when such proceeds are materially utilised.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Pharmesis International Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Jiang Yun
Wu Xuedan
Chew Heng Ching
Chew Thiam Keng
Pu Weidong

In accordance with Article 91 of the Company's Articles of Association, Wu Xuedan and Chew Thiam Keng retire, and being eligible, offer themselves for re-election.

3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph five below, neither at the end of nor or at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' interests in shares and debentures

The following director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
Name of director	At beginning of financial year	At end of the financial year	At beginning of financial year[(1)]	At end of the financial year[(1)]
Ordinary shares				
The Company				
Wu Xuedan	–	–	2,281,200	2,281,200

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

By virtue of section 7 of the Singapore Companies Act, Chapter 50, Wu Xuedan is deemed to have interests in shares of the subsidiaries of the Company.

Except as disclosed in this report, no director who held office at the end of the financial year had an interest in shares and debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

(1) Presented based on share consolidation of every 10 issued ordinary shares into 1 consolidated share which was effective 1 September 2015.

5. Options

The Company previously had a Pharmesis Share Option Scheme for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible employees. The scheme was approved by shareholders at an Extraordinary General Meeting held on 25 August 2004 and has expired in August 2014.

The Remuneration Committee, comprising three directors, Chew Thiam Keng, Chew Heng Ching and Pu Weidong, administers the Pharmesis Share Option Scheme.

On 12 March 2008, the Company granted options to directors and employees of the Group to subscribe for 21,350,000 shares in the Company. These options are exercisable between the period from 12 March 2010 to 11 March 2018 at the exercise price of S$0.125 if the employee remains in service for two years from the date of grant.

Details of outstanding options to subscribe for ordinary shares of the Company pursuant to the Pharmesis Share Option Scheme as at 31 December 2015 are as follows:

Expiry date	Exercise price	Number of options
11 March 2018	S$1.25[(1)]	1,020,000[(1)]

Details of all the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Scheme as at 31 December 2015 are as follows:

Name of director	Aggregate options outstanding as at beginning of financial year[(1)]	Aggregate options granted since commencement of plan to end of financial year[(1)]	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year[(1)]
Chew Heng Ching	100,000	100,000	–	100,000
Chew Thiam Keng	100,000	100,000	–	100,000
Pu Weidong	190,000	190,000	–	190,000
	390,000	390,000	–	390,000

(1) Presented based on share consolidation of every 10 issued ordinary shares into 1 consolidated share which was effective as of 1 September 2015.

Since the commencement of the Pharmesis Share Option Scheme till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company; and
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted.

6. Audit Committee

The members of the audit committee ("AC") at the date of this report are as follows:

Chew Heng Ching	Chairman
Chew Thiam Keng	Independent Director
Pu Weidong	Independent Director

The AC carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the quality, cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the financial year as shown in the Corporate Governance Statement. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Statement.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors

Jiang Yun
Director

Wu Xuedan
Director

Singapore
14 March 2016

INDEPENDENT
AUDITOR'S REPORT

For the financial year ended 31 December 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Pharmesis International Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 32 to 79, which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
14 March 2016

CONSOLIDATED
INCOME STATEMENT

For the financial year ended 31 December 2015

(In Renminbi)

	Note	2015	2014
		RMB'000	RMB'000
Revenue	3	62,400	60,848
Cost of sales		(29,067)	(27,163)
Gross profit		33,333	33,685
Other income		2,559	176
Selling and distribution costs		(20,985)	(24,820)
Administrative costs		(11,579)	(12,642)
Other costs	4	(407)	(3,670)
Finance income	5	1,163	3,093
Finance costs	5	(950)	(424)
Profit/(loss) before tax	6	3,134	(4,602)
Income tax expense	7	(7)	(37)
Profit/(loss) for the year		3,127	(4,639)
Profit/(loss) attributable to:			
Equity holders of the Company		2,449	(3,805)
Non-controlling interest		678	(834)
		3,127	(4,639)
Earnings/(loss) per share (cents)			
Basic and diluted	8	11.8	(19.0)[1]

[1] Adjusted for the effect of the share consolidation of every 10 issued ordinary shares into 1 consolidated share.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2015

(In Renminbi)

	2015 RMB'000	2014 RMB'000
Profit/(loss) for the year	3,127	(4,639)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	3,127	(4,639)
Total comprehensive income attributable to:		
Equity holders of the Company	2,449	(3,805)
Non-controlling interest	678	(834)
	3,127	(4,639)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF
FINANCIAL POSITION

As at 31 December 2015

(In Renminbi)

		Group		Company	
	Note	2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	9	13,166	13,703	30	58
Land use rights	10	2,950	3,051	–	–
Intangible assets	11	–	–	–	–
Investment in subsidiaries	12	–	–	54,999	54,999
Goodwill on consolidation	13	1,323	1,323	–	–
		17,439	18,077	55,029	55,057
Current assets					
Inventories	14	6,755	5,402	–	–
Trade receivables	15	21,071	23,279	–	–
Prepaid expenses		728	314	56	57
Other receivables	16	1,442	6,205	3,027	1,521
Tax recoverable		328	328	–	–
Structured deposit	17	–	15,000	–	–
Cash and cash equivalents	18	77,143	36,316	6,953	1,724
		107,467	86,844	10,036	3,302
Current liabilities					
Bank borrowings	19	15,000	5,000	–	–
Trade payables	20	2,930	2,028	–	–
Accrued liabilities and other payables	21	5,587	6,020	560	720
Tax payable		11	21	11	10
		23,528	13,069	571	730
Net current assets		83,939	73,775	9,465	2,572
Non-current liabilities					
Deferred tax liabilities	22	488	488	–	–
Net assets		100,890	91,364	64,494	57,629
Equity attributable to equity holders of the Company					
Share capital	23	83,714	77,315	83,714	77,315
Reserves		12,452	10,003	(19,220)	(19,686)
		96,166	87,318	64,494	57,629
Non-controlling interest		4,724	4,046	–	–
Total equity		100,890	91,364	64,494	57,629

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

(In Renminbi)

	Attributable to equity holders of the Company						
	Share capital	Employee share options reserve *	Statutory reserve@	Accumulated profits/ (losses)	Total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
At 1 January 2014	77,315	4,431	11,924	(2,547)	91,123	4,880	96,003
Net loss for the year, representing total comprehensive income for the year	–	–	–	(3,805)	(3,805)	(834)	(4,639)
At 31 December 2014	77,315	4,431	11,924	(6,352)	87,318	4,046	91,364
Issuance of shares pursuant to private placement	6,677	–	–	–	6,677	–	6,677
Shares issuance expense	(278)	–	–	–	(278)	–	(278)
Net profit for the year, representing total comprehensive income for the year	–	–	–	2,449	2,449	678	3,127
At 31 December 2015	83,714	4,431	11,924	(3,903)	96,166	4,724	100,890

* Employee share options reserve represents the equity-settled share options granted to employees (Note 24). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry/forfeiture or exercise of the share options.

@ In accordance with Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the profit after taxation as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital of RMB 76,816,480 (2014: RMB 76,816,480). Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF
CHANGES IN EQUITY

For the financial year ended 31 December 2015

(In Renminbi)

	Share capital	Employee share options reserve *	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
At 1 January 2014	77,315	4,431	(24,766)	56,980
Net profit for the year, representing total comprehensive income for the year	–	–	649	649
At 31 December 2014	77,315	4,431	(24,117)	57,629
Issuance of shares pursuant to private placement	6,677	–	–	6,677
Shares issuance expense	(278)	–	–	(278)
Net profit for the year, representing total comprehensive income for the year	–	–	466	466
At 31 December 2015	83,714	4,431	(23,651)	64,494

* Employee share options reserve represents the equity-settled share options granted to employees (Note 24). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry/forfeiture or exercise of the share options.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2015

(In Renminbi)

	Note	2015	2014
		RMB'000	RMB'000
Cash flows from operating activities			
Profit/(loss) before tax		3,134	(4,602)
Adjustments for:			
Amortisation of land use rights	6	101	101
Amortisation of intangible assets	6	–	783
(Reversal of)/allowance for doubtful receivables - trade	6	(6)	82
Depreciation of property, plant and equipment	6	1,661	1,872
Gain on sale of held for trading investment securities	6	(288)	–
Loss on disposal of property, plant and equipment	6	–	17
Impairment loss on property, plant and equipment	6	407	–
Inventories written off	6	–	209
Allowance for stock obsolescence	6	126	74
Product rights written off	6	–	3,670
Interest income	5	(1,163)	(3,093)
Interest expense	5	869	392
Operating profit/(loss) before working capital changes		4,841	(495)
Changes in working capital:			
Decrease in trade receivables		2,214	6,201
(Increase)/decrease in inventories		(1,479)	64
Decrease in prepaid expenses and other receivables		1,336	283
Increase in trade payables		902	245
(Decrease)/increase in accrued liabilities and other payables		(433)	2,716
Cash flows from operations		7,381	9,014
Interest received		4,176	100
Interest paid		(869)	(392)
Income tax paid		(17)	(26)
Net cash flows from operating activities		10,671	8,696
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(1,531)	(529)
Proceeds from gain on sale of held for trading investment securities		288	–
Proceeds from maturity of structured deposit		15,000	–
Proceeds from disposal of property, plant and equipment		–	199
Net cash flows from/(used in) investing activities		13,757	(330)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Advance against share application	23	2,229	–
Proceeds from issuance of shares	23	4,448	–
Shares issuance expense	23	(278)	–
Proceeds from bank borrowings	19	10,000	5,000
Net cash flows from financing activities		16,399	5,000
Net increase in cash and cash equivalents		40,827	13,366
Cash and cash equivalents at the beginning of the year	18	36,316	22,950
Cash and cash equivalents at the end of the year	18	77,143	36,316

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. General

Pharmesis International Ltd. (the “Company”) is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange. The registered office and principal place of business of the Company is located at 5 Kallang Sector #03-02, Singapore 349279.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 12 of the financial statements.

The Group operates principally in the People’s Republic of China (“PRC”).

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting polices below. The financial statements are presented in Renminbi (RMB) and all values in the tables are rounded to the nearest thousands (RMB’000) unless otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments FRS 19 *Employee Benefits*	1 January 2016
(b) Amendments FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(c) Amendments FRS 107 *Financial Instruments: Disclosures*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2.4 *Significant accounting judgments and estimates*

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments made in applying accounting policies

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 13 to the financial statements.

2. Summary of significant accounting policies (cont'd)

2.4 *Significant accounting judgments and estimates (cont'd)*

Key sources of estimation uncertainty (cont'd)

Impairment of trade receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 30 to the financial statements. If the present value of estimated future cash flows decrease by 3% from management's estimates, the Group's allowance for doubtful receivables will increase by RMB 525,000 (2014: increase by RMB 604,000).

Impairment of property, plant and equipment

As disclosed in Note 9 to the financial statements, the recoverable amounts of the Group's oral liquid production facility are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 9 to the financial statements.

Income taxes

The Group has exposure to income taxes in two jurisdictions, Singapore and the People's Republic of China. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax receivable, income tax payable, and deferred tax liability are RMB 328,000 (2014: RMB 328,000), RMB 11,000 (2014: RMB 21,000) and RMB 488,000 (2014: RMB 488,000) at 31 December 2015 respectively.

Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be within 3 to 40 years. The carrying amounts of the Company's and Group's property, plant and equipment as at 31 December 2015 are disclosed in Note 9. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 3% or RMB 87,000 (2014: 2% or RMB 99,000) variance in the Group's profit/(loss) before taxation.

2. Summary of significant accounting policies (cont'd)

2.5 ***Subsidiaries and principles of consolidation***

(a) *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(b) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in income statement;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to income statement or retained earnings, as appropriate.

2. Summary of significant accounting policies (cont'd)

2.5 *Subsidiaries and principles of consolidation (cont'd)*

(c) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in the income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the income statement on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(d) *Transactions with non-controlling interest*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

2. Summary of significant accounting policies (cont'd)

2.6 *Functional and foreign currency*

Functional currency

The management has determined the currency of the primary economic environment in which the Company and the subsidiaries operates i.e. functional currency, to be RMB. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in the functional currency of the Company and its subsidiaries.

Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the income statement.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets as follows:

Buildings	–	8 – 40 years
Leasehold improvement	–	3 – 5 years
Plant and machinery	–	5 – 10 years
Motor vehicles	–	4 – 10 years
Other equipment	–	5 – 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 *Land use rights*

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 40 – 50 years.

2.9 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(a) *Goodwill*

Goodwill was acquired in business combinations. The useful life of goodwill is estimated to be indefinite because management believes there is no foreseeable limit to the period over which goodwill is expected to generate net cash inflow for the Group.

(b) *Product rights*

Costs which relate to purchase of patents and licensing rights for Bear Bile and Bulbus Fritillariae Oral Liquid, Naoxinshu Oral Liquid, Shengmai Oral Liquid and Semen Zizyphi Oral Liquid, are capitalised and amortised on a straight-line basis over 10 years.

(c) *Goods Supply Practice ("GSP") certificate*

Costs which relate to purchase of GSP certificate are capitalised and amortised on a straight-line basis over 5 years.

2. Summary of significant accounting policies (cont'd)

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement.

2.11 *Financial assets*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

<u>Subsequent measurement</u>

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

<u>De-recognition</u>

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.12 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

2.13 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.14 *Structured deposit*

Structured deposit is a short-term loan to third party arranged through a bank and earns interest at a fixed rate. Structured deposits are accounted for as loans and receivables under FRS 39 and the accounting policy is set out in Note 2.11.

2. Summary of significant accounting policies (cont'd)

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis;

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 *Financial liabilities*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.17 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.18 *Research and development costs*

All research costs are charged to the income statement as incurred.

Development costs incurred on projects to develop new products are capitalised and deferred only when the projects are clearly defined, the costs are separately identifiable and can be measured reliably, and there is reasonable certainty that the projects are technically feasible and the products have commercial value. Development expenditure which does not meet these criteria is expensed as incurred.

2.19 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs that it is intended to compensate.

2.20 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.21 *Employee benefits*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

(i) *Defined contribution plans*

PRC

The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Singapore

The Company makes contribution to the Central Provident Fund ("CPF") Scheme in Singapore, a defined contribution pension scheme.

Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

2. Summary of significant accounting policies (cont'd)

2.21 *Employee benefits (cont'd)*

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(iii) *Pharmesis Share Option Scheme*

Directors and employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with directors and employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in the income statement, with a corresponding increase in the employee share options reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share options reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share options reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.22 *Operating leases*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.23 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, net of value-added tax, after allowance for returns, trade discounts and various types of business tax and government surcharges where applicable. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Rendering of services*

Revenue from the packaging of oral liquid products is recognised by the number of completed packaged products. Where the outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) *Interest income*

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.24 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

2.24 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Value added tax ("VAT") and Goods and Services Tax ("GST")*

Revenues, expenses and assets are recognised net of the amount of VAT/GST except:

- Where the VAT/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT/GST included.

2.25 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

3. Revenue

Revenue represents the net invoiced value of goods sold, net of value-added tax, after allowance for returns, trade discounts and various types of business tax and government surcharges where applicable.

	Group	
	2015	2014
	RMB'000	RMB'000
Sale of goods	61,948	60,848
Service income	452	–
	62,400	60,848

4. Other costs

		Group	
	Note	2015	2014
		RMB'000	RMB'000
Impairment loss on property, plant and equipment	9	407	–
Product rights written off	11	–	3,670

Impairment loss on property, plant and equipment relates to impairment loss on Chengdu Kinna Pharmaceutical Co., Ltd's oral liquid production facility.

Product rights written off relates to patents and licensing rights to Bear Bile and Bulbus Fritillariae Oral Liquid, Naoxinshu Oral Liquid, Shengmai Oral Liquid and Semen Zizyphi Oral Liquid written off due to discontinuance of production plan.

5. Finance income/Finance costs

		Group	
		2015	2014
		RMB'000	RMB'000
(i)	Finance income		
	- Interest income	1,163	3,093
(ii)	Finance costs		
	- Interest expense	(869)	(392)
	- Bank charges	(81)	(32)
		(950)	(424)

6. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Note	Group 2015 RMB'000	Group 2014 RMB'000
Amortisation of land use rights	10	101	101
Amortisation of intangible assets	11	–	783
Depreciation of property, plant and equipment	9	1,661	1,872
Directors' remuneration		1,570	1,043
Directors' fees		686	754
Audit fees paid to auditors of the Company		407	428
Audit fees paid to affiliates of auditors of the Company		690	713
Non-audit fees paid to auditors of the Company		25	27
Personnel expenses*		24,552	26,754
(Reversal of)/allowance for doubtful receivables – trade	15	(6)	82
Foreign exchange gain		(184)	(23)
Research and development expenses		310	479
Inventories written off	14	–	209
Allowance for stock obsolescence	14	126	74
Loss on disposal of property, plant and equipment		–	17
Gain on sale of held for trading investment securities		(288)	–

* Personnel expenses include amounts shown as directors' remunerations and remuneration of key management personnel in Note 26:

	Group 2015 RMB'000	Group 2014 RMB'000
Wages, salaries and bonuses	22,790	24,985
Pension contributions	1,164	1,153
Other personnel expenses	598	616
	24,552	26,754

7. Income tax expense

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Current tax		
- current year	7	37

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate for the year ended 31 December was as follows:

Profit/(loss) before tax	3,134	(4,602)
Tax at domestic rates applicable to profit/(loss) in the countries where the Group operates	1,065	(749)
Adjustments:		
Non-deductible expenses	650	647
Utilisation of tax losses carried forward	(1,472)	(601)
Deferred tax assets not recognised	189	757
Benefit of previously unrecognised deductible temporary differences	(410)	–
Effect of partial tax exemption and tax relief	(15)	(17)
Income tax expense recognised in the income statement	7	37

The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

On 27 July 2011, Caishui [2011] 58 on *Tax Policy Issues Concerning Deeply Implementation of the Western China Development Strategy* ("Circular 58") was issued which entitled enterprises established in the western regions in China which are engaged in encouraged industries as stipulated in the Catalogue of Industries Encouraged to Develop in the Western Region and having 70% of their total annual income from the encouraged industries to enjoy a reduced corporate income tax rate of 15% upon approval from the tax authorities in charge for the period from 1 January 2011 to 31 December 2020.

On 20 August 2014, National Development and Reform Commission issued Announcement No. 15 *Catalogue of Industries Encouraged to Develop in the Western Region* ("Announcement 15") to allow enterprises whose activities qualified under the list of approved industries to enjoy the reduced tax rate of 15% subject to approval from the tax authorities. Announcement 15 is effective from 1 October 2014.

Chengdu Kinna Pharmaceutical Co., Ltd. and Sichuan Longlife Pharmaceutical Co., Ltd are two subsidiaries which qualify for the reduced corporate income tax rate of 15% granted under Announcement 15. The abovementioned subsidiaries have not obtained approval from the tax authorities to enjoy the reduced corporate income tax for the financial years ended 31 December 2015 and 2014.

At the balance sheet date, the subsidiaries in PRC have tax losses and temporary differences of RMB 10,066,000 and RMB 11,115,000 (2014: RMB 15,926,000 and RMB 12,027,000) that are available for offset against future taxable profit for the respective entities where the tax losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority. The tax losses of the PRC subsidiaries can only be utilised within the five-year period commencing from the year in which the loss is incurred. As at balance sheet date, tax losses amounting to RMB 8,667,000, RMB 1,372,000 and RMB 27,000 will expire in the financial years ending 31 December 2017, 2019 and 2020 respectively.

8. Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share are calculated by dividing profit/(loss) for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit/(loss) and share data used in the computation of basic and diluted earnings/(loss) per share for the years ended 31 December:

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Profit/(loss) for the year attributable to equity holders of the Company used in computation of basic and diluted earnings per share	2,449	(3,805)

	No. of shares	**No. of shares[1]**
	'000	**'000**
Weighted average number of ordinary shares for basic earnings per share computation	20,748	20,000
Dilutive effect of share options[2]	–	–
	20,748	20,000

	Group	
	2015	**2014[1]**
	RMB	**RMB**
	Cents	Cents
Earnings per share		
- basic and diluted	11.8	(19.0)

[1] After the completion of share consolidation on 1 September 2015. The Company has consolidated 10 ordinary shares into 1 ordinary share in the capital of the Company and the weighted average number of ordinary shares used for the calculation of earnings per share for the corresponding period in 2014 has been adjusted for the effect of the share consolidation.

[2] As at 31 December 2015, the Company has outstanding share options granted to directors and employees of 1,020,000 (after adjusting for the effect of the 10-1 share consolidation) (2014: 1,020,000 as disclosed in Note 24). Since the exercisable price of these share options is above the quoted market price of the Company's shares for the financial years, the options are non-dilutive. As such, the options have no dilution effect on the earnings per share of the Group for the financial years.

9. Property, plant and equipment

	Buildings#	Leasehold improvement	Plant and machinery	Motor vehicles	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Cost:						
At 1 January 2014	26,231	2,968	18,979	3,927	2,118	54,223
Additions	–	–	470	–	59	529
Disposal	–	–	–	(60)	(579)	(639)
At 31 December 2014 and 1 January 2015	26,231	2,968	19,449	3,867	1,598	54,113
Additions	–	–	128	1,391	12	1,531
Disposal	–	–	–	–	–	–
At 31 December 2015	26,231	2,968	19,577	5,258	1,610	55,644
Accumulated depreciation and impairment loss:						
At 1 January 2014	16,506	2,968	15,304	2,701	1,482	38,961
Charge for the year	775	–	529	379	189	1,872
Disposal	–	–	–	(36)	(387)	(423)
At 31 December 2014 and 1 January 2015	17,281	2,968	15,833	3,044	1,284	40,410
Charge for the year	647	–	541	355	118	1,661
Impairment loss	–	–	407	–	–	407
At 31 December 2015	17,928	2,968	16,781	3,399	1,402	42,478
Net carrying amount:						
At 31 December 2015	8,303	–	2,796	1,859	208	13,166
At 31 December 2014	8,950	–	3,616	823	314	13,703

At 31 December 2015, buildings of the Group with carrying amounts of RMB 4,487,000 (2014: RMB 4,687,000) are pledged as security to secure bank borrowings (see Note 19).

9. Property, plant and equipment (cont'd)

	Other equipment RMB'000
Company	
Cost:	
At 1 January and 31 December 2014, and 1 January and 31 December 2015	245
Accumulated depreciation:	
At 1 January 2014	158
Charge for the year	29
At 31 December 2014 and 1 January 2015	187
Charge for the year	28
At 31 December 2015	215
Net carrying amount:	
At 31 December 2015	30
At 31 December 2014	58

Impairment of assets

During the financial year, a subsidiary of the Group, Chengdu Kinna Pharmaceutical Co., Ltd ("Kinna"), carried out a review of the recoverable amount of its oral liquid production facility. An impairment loss of RMB 407,000 (2014: RMB nil), representing the write-down of this facility to the recoverable amount was recognised in "Other costs" (Note 4) line item of the income statement for the financial year ended 31 December 2015. The recoverable amount of the production facility was based on its value in use calculation using cash flow projections based on financial budgets approved by senior management covering an eight-year period which is the remaining useful life of the assets. The pre-tax discount rate used was 15.6% (2014: 15.5%).

The calculations of value-in-use for the oral liquid production facility are most sensitive to the following assumptions:

Budgeted revenue - The budgeted revenue are based on sales volume from past performances and its expectations of market developments and contracted selling price.

Budgeted growth rate - Management determined the budgeted growth rate based on past experience and its expectations of market developments. The budgeted growth rate used by the Group does not exceed the long-term average growth rate for the industries relevant to oral liquid production facility.

Discount rate - The discount rate used represent the current market assessment of the risk specific to oral liquid production facility, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

9. Property, plant and equipment (cont'd)

Sensitivity to changes in assumption

As at the financial year end, a possible change to the following estimates used in management's assessment (holding other assumptions unchanged) will result in changes in the recoverable amount as follows:

	Discount rate		Sales volume	
	1% increase RMB'000	1% decrease RMB'000	5% increase RMB'000	5% decrease RMB'000
2015				
Increase/(decrease) in recoverable amount	(130)	137	320	(320)
2014				
Increase/(decrease) in recoverable amount	(233)	250	215	(212)

10. Land use rights

	Group	
	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January and 31 December	4,191	4,191
Accumulated amortisation:		
At 1 January	1,140	1,039
Amortisation for the year	101	101
At 31 December	1,241	1,140
Net carrying amount	2,950	3,051
Amount to be amortised:		
- Not later than one year	101	101
- Later than one year but not later than five years	404	404
- Later than five years	2,445	2,546

The Group has land use rights over two plots of state-owned land in the People's Republic of China ("PRC") where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferable and have remaining tenures of 27.7 and 34.5 years (2014: 28.7 and 35.5 years).

At 31 December 2015, land use rights of the Group with carrying amounts of RMB 2,216,000 (2014: RMB 2,296,000) are pledged as security to secure bank borrowings (see Note 19).

11. Intangible assets

	Group		
	Product rights	GSP certification	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2014	7,340	835	8,175
Written off	(7,340)	(835)	(8,175)
At 31 December 2014, 1 January 2015 and 31 December 2015	–	–	–
Accumulated amortisation:			
At 1 January 2014	2,997	725	3,722
Amortisation for the year	673	110	783
Written off	(3,670)	(835)	(4,505)
At 31 December 2014, 1 January 2015 and 31 December 2015	–	–	–
Net carrying amount:			
At 31 December 2015 and 2014	–	–	–

As at 31 December 2014, the intangible assets were fully written off.

The amortisation of intangible assets is included in the "Administrative costs" line item in income statement.

The impairment loss for product rights of RMB nil (2014: RMB 3,670,000) was recognised in income statement under "Other costs".

GSP certificate

On 20 July 2009, Chengdu Kinna Pharmaceutical Co., Ltd ("Kinna"), a wholly-owned subsidiary of the Company, entered into an agreement to acquire 100% equity interest in Chengdu Pharmesis Pharmaceutical Co., Ltd ("Chengdu Pharmesis") for a total purchase consideration of RMB 835,000.

Chengdu Pharmesis owns a valid Goods Supply Practice ("GSP") certificate but has not commenced its operations as at the date of acquisition. Therefore, the acquisition of Chengdu Pharmesis does not fall within the definition of business combination under FRS 103. The acquisition cost of RMB 835,000 is allocated in entirety as intangible asset acquired. The GSP acquired is amortised over the economic useful life of 5 years and the cost was written off when the GSP expired on 30 November 2014. As it was fully amortised during the last financial year, there is no impact to the income statement as a result of this write off.

Product rights

Product rights relates to the technical know-how for Bear Bile and Bulbus Fritillariae Oral Liquid, Naoxinshu Oral Liquid, Shengmai Oral Liquid and Semen Zizyphi Oral Liquid acquired. As disclosed in Note 2.9(b), the useful life of these product rights is estimated to be 10 years. The product rights have been written off during the last financial year due to discontinuance of production plan.

12. Investment in subsidiaries

	Company 2015 RMB'000	Company 2014 RMB'000
Unquoted equity shares, at cost	50,016	50,016
Investment via issuance of share options to employees of subsidiaries	4,983	4,983
At 31 December	54,999	54,999

(a) Composition of the Group

	Name (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2015 %	Proportion (%) of ownership interest 2014 %
	Held by the Company			
*	Chengdu Kinna Pharmaceutical Co., Ltd (成都国嘉联合制药有限公司) (PRC)	Development, manufacture, packaging and sale of western medicines and health tonic products	100	100
	Held through Chengdu Kinna Pharmaceutical Co., Ltd:			
*	Sichuan Longlife Pharmaceutical Co., Ltd (四川古蔺肝苏药业有限公司) (PRC)	Development, manufacture and sale of Traditional Chinese Medicines ("TCM")	51	51
+	Chengdu Pharmesis Pharmaceutical Co., Ltd (成都中嘉医药有限公司) (PRC)	Wholesale of chemical drugs, biological raw products, TCM, antibiotics and antibiotics agent	100	100

* Audited by Ernst & Young Hua Ming, Chengdu Branch.

\+ Audited by Ernst & Young Hua Ming, Chengdu Branch, for consolidation purpose.

12. Investment in subsidiaries (cont'd)

(b) Interest in subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/ (loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
		%	RMB'000	RMB'000
31 December 2015:				
Sichuan Longlife Pharmaceutical Co., Ltd (四川古藺肝苏药业有限公司)	PRC	49	678	4,724
31 December 2014:				
Sichuan Longlife Pharmaceutical Co., Ltd (四川古藺肝苏药业有限公司)	PRC	49	(834)	4,046

There is no significant restriction on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests.

(c) Summarised financial information about subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiary with material non-controlling interests are as follows:

Summarised balance sheet

	Sichuan Longlife Pharmaceutical Co., Ltd	
	As at 31 December 2015	As at 31 December 2014
	RMB'000	RMB'000
Current		
Assets	23,352	21,688
Liabilities	(20,277)	(20,583)
Net current assets	3,075	1,105
Non-current		
Assets	8,434	9,065
Net non-current assets	8,434	9,065
Net assets	11,509	10,170

12. Investment in subsidiaries (cont'd)

(c) *Summarised financial information about subsidiary with material NCI (cont'd)*

Summarised statement of comprehensive income

	Sichuan Longlife Pharmaceutical Co., Ltd	
	2015	**2014**
	RMB'000	**RMB'000**
Revenue	33,041	30,019
Profit/(loss) before income tax	1,340	(1,682)
Income tax expense	–	–
Profit/(loss) after tax	1,340	(1,682)
Other comprehensive income	–	–
Total comprehensive income	1,340	(1,682)

Other summarised information

	Sichuan Longlife Pharmaceutical Co., Ltd	
	2015	**2014**
	RMB'000	**RMB'000**
Net cash flows from operating activities	3,789	4,309
Net cash flows used in investing activities	(3,005)	(288)
Net cash flows used in financing activities (Dividends to NCI: nil)	(1,327)	(1,411)
Net (decrease)/increase in cash and cash equivalents	(543)	2,610

13. Goodwill on consolidation

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Goodwill on consolidation		
- Sichuan Longlife	1,323	1,323

Goodwill acquired through business combinations have been allocated to the cash-generating units ("CGU"), namely Sichuan Longlife Pharmaceutical Co., Ltd ("Sichuan Longlife") for impairment testing. The recoverable amounts on Sichuan Longlife are determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

13. Goodwill on consolidation (cont'd)

The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Sichuan Longlife	
	2015	**2014**
Growth rates	0%	0%
Pre-tax discount rates	15.6%	15.5%

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

Budgeted revenue and gross margins - The budgeted revenue and gross margins are based on past performances and its expectations of market developments.

Budgeted growth rate - Management determined the budgeted growth rate based on past experience and its expectations of market developments. The budgeted growth rate used by the Group does not exceed the long-term average growth rate for the industries relevant to the CGUs.

Discount rate - The discount rate used represent the current market assessment of the risk specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumption – Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of Sichuan Longlife to materially exceed its recoverable amount.

14. Inventories

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Balance sheet:		
Raw materials	3,018	2,154
Work in progress	2,253	1,303
Finished goods	1,484	1,945
At 31 December	6,755	5,402
Income statement:		
Inventories recognised as an expense in cost of sales	29,067	27,163

The Group has written off inventories amounting to RMB nil (2014: RMB 209,000) in the income statement.

An amount of RMB 126,000 (2014: RMB 74,000) is recorded for stock obsolescence during the year.

15. Trade receivables

	Group 2015 RMB'000	Group 2014 RMB'000
Trade receivables		
- 3rd party	17,378	20,128
- Related party	110	–
Less: Allowance for doubtful receivables	(1,053)	(1,380)
	16,435	18,748
Note receivables	4,636	4,531
	21,071	23,279

Trade receivables and note receivables are non-interest bearing and are generally on 90 to 180 days' terms. They are recognised at their original invoice amounts which represents fair values at initial recognition. The trade receivables are denominated in RMB.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RMB 2,443,000 (2014: RMB 1,924,000) that are past due at the end of the reporting period but not impaired.

The Group's trade receivables consisted of sales predominately from prescribed drugs. Certain receivables from the sales of the prescribed drugs are covered by social insurance and are included in the list of medicine approved by the Social Insurance Bureau in PRC. A longer period is required for the settlement of trade receivables as the payment process is dependent on receipts of the appointed distribution agents from the hospitals and clinics, which are in-turn dependent on the settlement of medical bills out of the patients' medical fund.

These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group 2015 RMB'000	Group 2014 RMB'000
Trade receivables past due:		
60 days and less	741	772
61 - 120 days	868	365
121 - 180 days	372	194
More than 181 days	462	593
	2,443	1,924

15. Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Collectively impaired		Individually impaired	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Trade receivables – nominal amounts	3,496	3,304	–	–
Less: Allowance for doubtful receivables	(1,053)	(1,380)	–	–
	2,443	1,924	–	–

Movement in allowance accounts:

	Collectively impaired		Individually impaired	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 1 January	1,380	1,298	–	–
(Reversal)/allowance for the year	(6)	82	–	–
Written off	(321)	–	–	–
At 31 December	1,053	1,380	–	–

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments.

16. Other receivables

		Group		Company	
	Note	2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Interest receivable		–	3,013	–	–
Other receivables – nominal amounts	33	1,502	3,252	3,027	1,521
Less: Allowance for doubtful receivables		(60)	(60)	–	–
		1,442	6,205	3,027	1,521

Analysis of allowance for doubtful receivables is as follows:

At 1 January	60	60	–	–
Allowance for the year	–	–	–	–
At 31 December	60	60	–	–

Included in the other receivables of the Group and the Company is an amount of RMB 27,000 (2014: RMB 21,000) which is denominated in Singapore dollar.

17. Structured deposit

Structured deposit arose from an arrangement entered into by a subsidiary with a bank, whereby the bank acted as a trustee to help retrieve the loan to a designated borrower.

Structured deposit earned interest of 20% per annum during the last financial year and had matured in March 2015.

18. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	72,556	36,316	2,366	1,724
Short-term deposit	4,587	–	4,587	–
Cash and cash equivalents	77,143	36,316	6,953	1,724

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.3% (2014: 0.2% to 0.4%) per annum. The short-term deposit revolves on a monthly basis, and earns interests at the short-term deposit rate. The effective interest rate as at 31 December 2015 was 0.95% per annum.

Cash at banks and on hand denominated in foreign currencies at 31 December are as follows:

	Group and Company	
	2015	2014
	RMB'000	RMB'000
Singapore dollar	6,818	595
United States dollar	134	128

19. Bank borrowings

		Group	
	Maturity	2015	2014
		RMB'000	RMB'000
Current:			
RMB bank loan	8 January 2016	10,000	–
RMB bank loan	17 March 2016	5,000	5,000
		15,000	5,000

The interest rate for the RMB bank loans ranges from 5.5% per annum to 6.7% per annum. The loans are fully repayable upon the maturity date. The loans are secured by a charge over buildings (Note 9) and land use rights of a subsidiary (Note 10).

20. Trade payables

	Group	
	2015	2014
	RMB'000	RMB'000
Trade payables		
- 3rd party	2,902	2,028
- Related party	28	–
	2,930	2,028

Trade payables are non-interest bearing and normally settled on 30 to 90 days terms. Trade payables are denominated in RMB.

21. Accrued liabilities and other payables

		Group		Company	
	Note	2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Accruals		1,139	1,424	549	708
Other payables	33	3,284	3,612	11	12
VAT payable		619	622	–	–
Advances from customers		545	362	–	–
		5,587	6,020	560	720

Other payables are unsecured, non-interest bearing and have an average term of three to six months.

Advances from customers are unsecured and non-interest bearing.

Included in the accrued liabilities and other payables of the Group and the Company is an amount of RMB 560,000 (2014: RMB 720,000) which is denominated in Singapore dollar.

22. Deferred tax liabilities

Deferred tax liabilities relate mainly to withholding tax accrued on distributable profits of the Group's subsidiaries under the new China tax regime whereby remittance of distributable profits out of China will attract a 10% withholding tax with effect from 1 January 2008.

At the balance sheet date, RMB 488,000 (2014: RMB 488,000) has been recognised for taxes that would be payable on the undistributed profits of the Group's subsidiaries.

23. Share capital

	Group and Company			
	2015		2014	
	Number of shares	RMB'000	Number of shares[1]	RMB'000
Issued and fully paid ordinary shares:				
At 1 January	20,000,000	77,315	20,000,000	77,315
Issuance of shares pursuant to private placement	3,000,000	6,677	–	–
Shares issuance expense	–	(278)	–	–
At 31 December	23,000,000	83,714	20,000,000	77,315

(1) Presented based on share consolidation of every 10 issued ordinary shares into 1 consolidated share which was effective 1 September 2015.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

On 1 September 2015, the Company consolidated 10 ordinary shares into 1 ordinary share in the capital of the Company.

On 2 October 2015, the Company issued 3,000,000 new ordinary shares at an issue price of S$0.50 per share. The new shares rank pari passu in all respects with the previously issued shares.

24. Employee benefits

Under the previous Pharmesis Share Option Scheme (the "ESOS") which has expired as of August 2014, share options were granted to directors, executives and employees of the Group. The exercise price of the options is equal to the market price of the shares on the date of grant. The option vesting period is two years from the date of grant. The option may be exercisable for the period from 12 March 2010 to 11 March 2018.

Movement of share options during the financial year

The following is the movement in share options during the financial year:

	2015	2014
	Number of share options	Number of share options[1]
Outstanding as at 1 January and 31 December	1,020,000	1,020,000
Exercisable at 31 December	1,020,000	1,020,000

(1) Presented based on share consolidation of every 10 issued ordinary shares into 1 consolidated share which was effective 1 September 2015.

24. Employee benefits (cont'd)

Fair value of share options

The fair value of services rendered in return for share options granted are measured by reference to the fair value of share options granted under the ESOS. The estimate of the fair value of the services received is measured based on a Trinomial Options Pricing model, taking into account the terms and conditions upon which the share options were granted. The following table states the inputs to the model used.

		12.3.2008 grant
Expected volatility	(%)	71
Risk-free interest rate	(%)	1.5
Expected life of options	(years)	6.7
Exercise price	(S$)	1.25[2]
Share price at date of grant	(S$)	0.14

[2] Adjustments made following the 10-1 share consolidation which was effective 1 September 2015.

The weighted average fair value of options granted was RMB 0.43 (2014: RMB 0.43).

The fair value of options granted charged to the income statement during the financial year was RMB nil (2014: RMB nil). The expected volatility reflects the assumptions that the historical volatility of companies in the similar industry is indicative of future trends, which may not necessarily be the actual outcome.

All outstanding options have vested since financial year ended 31 December 2010.

25. Commitments and contingencies

Operating lease commitments

The Group and Company had entered into commercial leases for its office premises in Singapore and the PRC. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 13 years. Operating lease payments recognised in the consolidated income statement during the financial year amounted to RMB 326,000 (2014: RMB 312,000).

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	318	321	31	72
In the second to fifth year	1,031	1,036	–	6
More than five years	868	1,126	–	–
	2,217	2,483	31	78

26. Related party disclosures

(a) ***Compensation of key management personnel***

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Short-term employee benefits	3,127	2,650
Central Provident Fund contributions	68	64
	3,195	2,714
Comprise amounts paid to:		
Directors of the Company	2,256	1,797
Other key management personnel	939	917
	3,195	2,714

(b) ***Directors' interests in employee share option plan***

At the balance sheet date, the total number of outstanding share options granted by the Company to the directors under the ESOS amounted to 390,000 (2014: 390,000, presented based on share consolidation of every 10 issued ordinary shares into 1 consolidated share which was effective 1 September 2015).

(c) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
A company related to a director		
- Rendering of services	452	–
- Relocation compensation	1,990	–
- Purchase of raw materials	(3,876)	–
- Rental expense	(90)	–

Company related to a director:

The Group has entered into a contract with Sichuan Neautus Traditional Chinese Medicine Co., Ltd, a firm of which one of the directors of the Company has 29.8% equity interest, to provide the service of packaging of oral liquid products. The Group also purchased raw materials from the related company during the year. Balances outstanding are disclosed in Note 20 to the financial statements.

During the year, the Group made rental payments to Sichuan Neautus Traditional Chinese Medicine Co., Ltd for which no balance is outstanding at the end of the reporting period.

The Group has entered into a contract with Ningxia Cai Qi Biological Technology Co., Ltd, a firm of which the son of one of the directors of the Company has 85% equity interest, to provide the service of packaging of oral liquid products. Balances outstanding are disclosed in Note 15 to the financial statements.

26. Related party disclosures (cont'd)

(c) ***Sale and purchase of goods and services (cont'd)***

During the year, the Group received relocation compensation from Chengdu Kinna Investment Co., Ltd, a firm of which one of the directors of the Company has 47.0% equity interest. No balance with the firm is outstanding at the end of the reporting period.

The abovementioned director was appointed as a director of the Company on 15 January 2015.

27. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Financial Controller, Head of Treasury and Head of Credit Control. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) ***Foreign currency risk***

The Group's operations are primarily in the PRC, of which sales, purchases and its accounts are recorded in Renminbi. The foreign currency risk of the Group arises mainly from its foreign currency cash deposits, other receivables and accrued liabilities and other payables. The Group does not enter into transactions to hedge against its currency risk.

Sensitivity analysis

A 10% strengthening of Renminbi against Singapore dollar at the reporting date would increase the Group's profit before tax by RMB 170,000 (2014: RMB 10,000). A 10% weakening of Renminbi against Singapore dollar would have an equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash at banks and structured deposit), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

27. Financial risk management objectives and policies (cont'd)

(ii) ***Credit risk (cont'd)***

The trade and other receivables and structured deposit of the Group are not secured by any credit enhancements.

Credit risk concentration profile

Concentration of credit risk exists when changes in economic, industrial or geographic factors similarly affect groups of counterparts whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

At the end of the reporting period, approximately:

- 48% (2014: 44%) of the Group's trade receivables were due from 5 major customers who are hospitals and medical institutions located in PRC;
- 0% (2014: 100%) of the Group's structured deposit was due from a designated borrower.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and structured deposit that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade receivables).

(iii) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

27. Financial risk management objectives and policies (cont'd)

(iii) ***Liquidity risk (cont'd)***

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payments.

	Note	1 year or less 2015	1 year or less 2014
		RMB'000	RMB'000
Group			
Financial assets			
Trade receivables	15	21,071	23,279
Other receivables	16	1,442	6,205
Structured deposit		–	15,682
Cash and cash equivalents	18	77,143	36,316
Total undiscounted financial assets		99,656	81,482
Financial liabilities			
Bank borrowing		15,072	5,020
Trade and accrued liabilities and other payables (excluding VAT payable and advances from customers)		7,353	7,064
Total undiscounted financial liabilities		22,425	12,084
Total net undiscounted financial assets		77,231	69,398
Company			
Financial assets			
Other receivables	16	3,027	1,521
Cash and cash equivalents	18	6,953	1,724
Total undiscounted financial assets		9,980	3,245
Financial liabilities			
Accrued liabilities and other payables (excluding VAT payable and advances from customers)		560	720
Total undiscounted financial liabilities		560	720
Total net undiscounted financial assets		9,420	2,525

28. Fair value of financial instruments

The carrying amounts of trade and other receivables, structured deposit, cash and cash equivalents, trade and accrued liabilities and other payables, and bank borrowings approximate their fair values due to their short-term nature.

29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2015 and 2014.

The subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 0% and 30%. The Group includes within net debt, interest-bearing loans (if any) less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company less the abovementioned restricted statutory reserve fund.

As at 31 December 2015, the Group's gearing ratio is zero as the Group's cash and cash equivalents exceed its outstanding borrowings.

30. Loans and receivables

		Group		Company	
	Note	2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	15	21,071	23,279	–	–
Other receivables	16	1,442	6,205	3,027	1,521
Structured deposit	17	–	15,000	–	–
Cash and cash equivalents	18	77,143	36,316	6,953	1,724
		99,656	80,800	9,980	3,245

31. Financial liabilities carried at amortised cost

		Group		Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	19	15,000	5,000	–	–
Trade payables		2,930	2,028	–	–
Accrued liabilities and other payables (excluding VAT payable and advances from customers)		4,423	5,036	560	720
		22,353	12,064	560	720

32. Segment information

	Western drugs		TCM formulated drugs		Distribution		Eliminations		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue										
External sales	21,918	23,179	19,941	20,999	20,541	16,670	–	–	62,400	60,848
Inter segment sales	744	575	13,100	9,020	–	–	(13,844)	(9,595)	–	–
Total revenue	22,662	23,754	33,041	30,019	20,541	16,670	(13,844)	(9,595)	62,400	60,848
Result										
Segment result	4,126	(2,699)	2,306	(1,307)	289	73			6,721	(3,933)
Unallocated corporate expenses									(3,800)	(3,338)
Profit/(loss) from operations									2,921	(7,271)
Finance income	1,152	3,082	7	6	4	5			1,163	3,093
Finance costs	(16)	(18)	(930)	(403)	(4)	(3)			(950)	(424)
Income tax expense	–	–	–	–	(7)	(37)			(7)	(37)
Net profit/(loss) before non-controlling interest									3,127	(4,639)
Non-controlling interest									(678)	834
Net profit/(loss)									2,449	(3,805)
Assets and liabilities										
Segment assets	87,277	71,289[(1)]	25,388	26,448[(1)]	5,175	5,326			117,840	103,063
Unallocated corporate assets									7,066	1,858
Total assets									124,906	104,921
Segment liabilities	1,336	1,524[(1)]	21,021	10,339[(1)]	600	476			22,957	12,339
Unallocated corporate liabilities									1,059	1,218
Total liabilities									24,016	13,557
Other segment information										
Capital expenditure	1,430	56	93	467	8	6			1,531	529
Depreciation and amortisation	993	1,823	724	869	45	64			1,762	2,756
Interest income	(1,152)	(3,082)	(7)	(6)	(4)	(5)			(1,163)	(3,093)
Interest expense	–	–	869	392	–	–			869	392
Allowance for/(reversal of) doubtful receivables – trade	89	(183)	(47)	77	(48)	188			(6)	82
Product rights written off	–	3,670	–	–	–	–			–	3,670
Allowance for stock obsolesces	–	74	126	–	–	–			126	74
Inventories written off	–	–	–	209	–	–			–	209
Impairment loss on property, plant and equipment	407	–	–	–	–	–			407	–
Loss on disposal of property, plant and equipment	–	17	–	–	–	–			–	17

(1) Adjusted for comparative purpose as stated in Note 33 (Comparative figure).

32. Segment information (cont'd)

Note

A: Capital expenditure consists of purchase of property, plant and equipment.

For management purposes, the Group is organised into business units based on their products, and has 3 reportable operating segments as follows:

(i) ***Western drugs***

Western drugs refer mainly to chemically formulated drugs and are marketed under the "Kinna" brand.

(ii) ***TCM formulated drugs***

TCM formulated drugs refer to Traditional Chinese Medicine and are marketed under the "Longlife" brand.

(iii) ***Distribution***

This segment refers to agency products and internally manufactured products which are marketed through the distribution arm.

Geographical segment

No segmental analysis by geographical segment is provided as the principal assets employed by the Group are located in the PRC and the Group's turnover and profits were mainly derived from the sale of medicines to domestic customers in the PRC.

Information about major customers

Information regarding customers which account for more than 10% of the revenue derived by any of the entities within the Group is as follows:

	Western drugs		Distribution	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	6,389	6,656	–	–
Customer B	4,358	4,487	–	–
Customer C	–	–	2,907	4,820
Customer D	–	–	3,657	3,881
	10,747	11,143	6,564	8,701

33. Comparative figure

Credit balances of RMB 245,000 in other receivables were reclassified from other receivables to other payables for comparative purpose to 2015 figure.

	Note	2014 (As currently reported)	2014 (As previously reported)	Increase/ (decrease)
		RMB'000	RMB'000	RMB'000
Consolidated statement of financial position				
Other receivables – nominal amounts	16	3,252	3,007	245
Other payables	21	3,612	3,367	245
Consolidated statement of cash flows				
Decrease in prepaid expenses and other receivables		283	528	(245)
Increase in accrued liabilities and other payables		2,716	2,471	245

34. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 14 March 2016.

STATISTICS OF
SHAREHOLDINGS

As at 16 March 2016

Issued and fully paid-up capital	:	S$17,025,532.94
Total no. of issued shares	:	23,000,000
Class of shares	:	Ordinary share
Voting rights	:	one vote per share

THE COMPANY DOES NOT HAVE ANY TREASURY SHARE

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.10	20	0.00
100 - 1,000	417	42.73	259,900	1.13
1,001 - 10,000	474	48.57	1,608,170	6.99
10,001 - 1,000,000	79	8.09	3,967,230	17.25
1,000,001 AND ABOVE	5	0.51	17,164,680	74.63
TOTAL	**976**	**100.00**	**23,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	EMPEROR WEALTH HOLDINGS LIMITED	5,233,800	22.76
2	SUNTAR INVESTMENT PTE LTD	4,770,000	20.74
3	SHENZHEN SICHUANG MEISHI PHARMACEUTICALS RESEARCH AND DEVELOPMENT CO., LTD	3,000,000	13.04
4	TOP ENTREPRENEUR LIMITED	2,281,200	9.92
5	UOB KAY HIAN PRIVATE LIMITED	1,879,680	8.17
6	CIMB SECURITIES (SINGAPORE) PTE LTD	571,400	2.48
7	WANG JIA	313,410	1.36
8	LONG BIAO	251,200	1.09
9	PHILLIP SECURITIES PTE LTD	179,700	0.78
10	ZHAO JIE	157,100	0.68
11	RAFFLES NOMINEES (PTE) LIMITED	149,860	0.65
12	OCBC SECURITIES PRIVATE LIMITED	134,790	0.59
13	SEET SEOW MENG VINCENT	129,000	0.56
14	KIW SIN WA	127,800	0.56
15	NGIN CHOON KAY	103,000	0.45
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	73,700	0.32
17	LEE CHAY GIAM JOEL	73,150	0.32
18	CHEN BEI	71,400	0.31
19	DBS NOMINEES (PRIVATE) LIMITED	66,000	0.29
20	THE WING ON INVESTMENT COMPANY (S) PTE LTD	60,000	0.26
	TOTAL	**19,626,190**	**85.33**

STATISTICS OF **SHAREHOLDINGS**

As at 16 March 2016

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 16 March 2016

	No. of Ordinary shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Wu Xuedan [1]	–	–	2,281,200	9.92
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 [2]	–	–	2,281,200	9.92
Jiang Ercheng [3]	–	–	5,233,800	22.76
Sinomem Technology Pte. Ltd. [4]	–	–	4,770,000	20.74
Clean Water Investment Limited [5]	–	–	4,770,000	20.74
Lan Weiguang [6]	–	–	4,770,000	20.74
CDH Water Limited [7]	–	–	4,770,000	20.74
CDH IV Holdings Company Limited [8]	–	–	4,770,000	20.74
China Diamond Holdings Company Limited [9]	–	–	4,770,000	20.74
Wu Shangzhi [10]	–	–	4,770,000	20.74
Jiao Shuge [11]	–	–	4,770,000	20.74
Wang Shu [12]	–	–	3,000,000	13.04
Liu Bing [13]	–	–	3,000,000	13.04

Notes:

1. Mr Wu Xuedan is deemed to be interested in the shares held by Top Entrepreneur Limited through his controlling interest in Top Entrepreneur Limited.

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

3. 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.

4. 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..

5. Clean Water Investment Limited holds 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 the shares held by Suntar Investment Pte. Ltd..

6. Dr Lan Weiguang 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..

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

8. CDH IV Holdings Company Limited acting as the general partner of CDH Fund IV, L.P, hold 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..

STATISTICS OF **SHAREHOLDINGS**

As at 16 March 2016

9. 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..

10. Dr Wu Shangzhi holds the entire issued share capital of West Oak Company Limited and Forrest Circle Limited, 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..

11. Mr Jiao Shuge holds the entire issued share capital of Active Star Capital Limited and 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, 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..

12. 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).

13. 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).

FREE FLOAT

As at 16 March 2016, approximately 33.54% of the issued share capital of the Company was held in the hands of the public (based on information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of Pharmesis International Ltd. ("the Company") will be held at No. 5 Kallang Sector, #03-02, Singapore 349279 on Friday, 29 April 2016 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Statements by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 91 of the Company's Articles of Association:

   Mr Wu Xuedan **(Resolution 2)**
   [See Explanatory Note (i)]

   Mr Chew Thiam Keng **(Resolution 3)**
   [See Explanatory Note (i)]

   (Mr Chew Thiam Keng will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Ltd.)

3. To approve the payment of Directors' fees of SGD 150,000 (equivalent to approximately RMB 690,000) for the financial year ending 31 December 2016 to be paid quarterly in advance. **(Resolution 4)**

4. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

6. **Ordinary Resolution: Authority to allot and issue shares**

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

  (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

  (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(Resolution 6)
[See Explanatory Note (ii)]

By Order of the Board

Lee Pay Lee
Company Secretary

Singapore, 14 April 2016

Explanatory Notes:

(i) The detailed information of Mr Wu Xuedan and Mr Chew Thiam Keng can be found under the section entitled 'Board of Directors' and page 20 of the Annual Report.

Mr Wu Xuedan is the Chief Executive Officer and Executive Director of the Company. Save for this relationship, Mr Wu Xuedan has no relationship (including immediate family relationships) with the other Directors, the Company and its 10% shareholder.

Mr Chew Thiam Keng has no relationship (including immediate family relationships) with the other Directors, the Company and its 10% shareholder.

(ii) **Ordinary Resolution 6** proposed in item 6 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. Where a member (other than a Relevant Intermediary) appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

3. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

   "Relevant Intermediary" means:

   a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at Six Battery Road #10-01, Singapore 049909, not less than 48 hours before the time appointed for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with section 179 of the Companies Act (Chapter 50) of Singapore.

8. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Pharmesis International Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200309641E)

Personal data privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2016.

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
Annual General Meeting

(Please read notes overleaf before completing this form.)

I/We* ______________________________ (Name)

of ______________________________ (Address),

______________ (NRIC/Passport no.) being a member/members* of Pharmesis International Ltd. (the "**Company**") hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") to be held at 5 Kallang Sector, #03-02, Singapore 349279, on 29 April 2016 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for/against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**ORDINARY BUSINESS**	**No. of votes *For**	**No. of votes *Against**
1.	To receive and adopt the Statements by Directors and Audited Financial Statements for the financial year ended 31 December 2015		
2.	To re-elect Mr Wu Xuedan, who is retiring under Article 91 of the Company's Articles of Association		
3.	To re-elect Mr Chew Thiam Keng, who is retiring under Article 91 of the Company's Articles of Association		
4.	To approve payment of Directors' Fees		
5.	To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
6.	To authorise the Directors to allot and issue new shares		

* Please indicate your vote "For" or "Against", tick [] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ______________ 2016

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

*Delete where applicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

   "Relevant Intermediary" means:

   a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at Six Battery Road #10-01, Singapore 049909, not less than 48 hours before the time appointed for the AGM.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with section 179 of the Companies Act (Chapter 50) of Singapore.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2016.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Jiang Yun
(Executive Chairman)
Wu Xuedan
(Chief Executive Officer and Executive Director)
Chew Heng Ching
(Lead Independent Director)
Chew Thiam Keng
(Independent Non-Executive Director)
Pu Weidong
(Independent Non-Executive Director)

AUDIT COMMITTEE
Chew Heng Ching (Chairman)
Chew Thiam Keng
Pu Weidong

NOMINATING COMMITTEE
Chew Heng Ching (Chairman)
Chew Thiam Keng
Pu Weidong
Jiang Yun

REMUNERATION COMMITTEE
Chew Thiam Keng (Chairman)
Chew Heng Ching
Pu Weidong

JOINT COMPANY SECRETARIES
Lee Pay Lee (Appointed on 1 December 2015)
Chan Lai Yin

REGISTERED OFFICE
5 Kallang Sector #03-02
Singapore 349279
Tel: (65) 6846 0766
Fax: (65) 6743 7916
Email: enquiry@pharmesis.com

SHARE REGISTRAR
RHT Corporate Advisory Pte. Ltd.
Six Battery Road #10-01
Singapore 049909

AUDITORS
Ernst & Young LLP
Public Accountants and Certified Public Accountants
One Raffles Quay North Tower Level 18
Singapore 048583
Partner-in-charge: Andrew Tan Chwee Peng
(Appointed since financial year ended 31 December 2014)

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of Chengdu
SPD Bank

PHARMESIS

PHARMESIS INTERNATIONAL LTD.

Company Registration Number: 200309641E

5 Kallang Sector #03-02

Singapore 349279

www.pharmesis.com